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Policies, Strategies & Learning along with thought for tomorrow

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DECEMBER 18 - 20, 2018



“Central Asian Regional Economic Integration and CPEC:
Prospects, Challenges and the Way Forward
(CAREIC-PCWF)”



APPLIED ECONOMICS RESEARCH CENTRE
UNIVERSITY OF KARACHI

TABLE OF CONTENTS

DIRECTOR'S MESSAGE	1
---------------------------------	----------

FROM THE EDITOR'S DESK	2
-------------------------------------	----------

FACULTY RESEARCH	3
-------------------------------	----------

- The Impact of business cycle on Capital Buffer during the Period of Basel-II and Basel-III: Evidence from the Pakistani Banks.
- Price Setting Behavior in Pakistan: Stylized Facts from Micro SPI Dataset

AERC NEWS	4
------------------------	----------

- MAS / Mphil. & PhD. Orientation 2019
- Celebrations of recognition of Pakistan Journal of Applied Economics-PJAE in Category "X"
- Review of Current Landlords/ Hari/ Sharecropping Arrangemnets in Sindh- Endorsement Workshop January 18, 2019

AERC INTERNATIONAL CONFERENCE 2018	9
---	----------

- Central Asian Regional Economic Integration & CPEC: Challenges, Prospects and the Way Forward (CARRIC-PCWF) 2018 by Prof. Dr. Samina Khalil
- International Conference 2018 - Proceedings / Insights
- Day 1 : The Quaid-e-Azam Lecture by Dr. Ishrat Hussain
- Day 2 : Sir Syed Ahmed Khan Lecture
- Day 3 : Shah Abdul Latif Bhittai Lecture
- Experts' Opinion about the Conference

ALUMNI NEWS	47
--------------------------	-----------

- Where are they at present

STUDENT'S NEWS	48
-----------------------------	-----------

- MPhil. Thesis

DIRECTOR'S MESSAGE



PROF. DR. SAMINA KHALIL

**Director, Applied Economics Research Centre
University of Karachi**

I feel great pleasure in handing over another issue of our AERC Voice, the first issue of 2019. Over the last one year, the AERC has achieved continuing success in holding the international conference in December 2018, new admissions in MPhil and PhD classes, and upgradation of our journal PJAE in X category by the Higher Education Commission (HEC) of Pakistan. All this has been possible with the dedicated and strenuous efforts of the able publication team, conference organizing and managing committees and hard work of the experienced faculty.

“Somewhere, something incredible is waiting to be known.” - Carl Sagan

These amazing words of my all times favorite astro physicist make me realize how relevant it is for all of us: students, faculty and researchers. There is never any point in the life of a person when he can sit back and say. “There is nothing more to learn, I can relax with the comforting thought that the universe around me is an open book. I know it all.” The thirst for knowledge is not restricted to the child. It is also essential for all of us to keep adding to our own knowledge bank by keeping our eyes and ears open and by reading as much as possible and ensuring that children develop these habits as well. Unfortunately, we as a nation have steadily distanced ourselves from books and lost books reading habit that gives one not only knowledge but enhances our creativity and imagination.

“Imagination is more important than knowledge. For knowledge is limited to all we now know and understand, while imagination embraces the entire world, and all there ever will be to know and understand. “- Albert Einstein. My message to our students and faculty and all esteemed readers is to dedicate this year to reading at least few books which we collect but keep pending to read them when we get time. I have expressed the desire of having, ‘Book Club’ at the AERC on the orientation day of our new students / research scholars and hope to contribute my share in reviving the book reading habit slowly but surely. I am highly grateful to all readers of the AERC Voice and I assure you that I will always strive for AERC to play a meaningful role in the competitive times ahead and scale new heights, translating the dreams of the new generation into reality. I pray for future growth and prosperity of the AERC and wish the administration, staff and students all success in the years to come.

A handwritten signature in black ink, appearing to read 'Shariq', with a stylized flourish extending from the end.

FROM THE DESK OF THE EDITOR



Editor

DR. ASGHAR ALI

**Applied Economics Research Centre
University of Karachi**

Bonjour, bonne année!

With the immense pleasure I along with my team present the 14th issue of the AERC Voice, a quarterly newsletter of the Applied Economics Research Centre that gives valuable insights about the happenings at the Centre. The past six months were very exciting for the Applied Economics Research Centre from hosting a yet another International Conference on the theme “Central Asian Regional Economic Integration & CPEC: Challenges, Prospects and the Way Forward (CARRIC-PCWF) 2018” to celebrating an important milestone of improvement in the ranking of the Applied Economics Research Centre’s bi-annual Journal “Pakistan Journal of Applied Economics (PJAE)” from category Y to category X by HEC-Pakistan. It is a treat to watch the Applied Economics Research Centre’s growing horizons and balancing research and academic activities and promising to be the Institute of National Capability in Applied Economics. It is also delightful to share that with the unceasing support of my team AERC Voice is dispatched to more than 500 people and institutes half yearly with the continuous increase in the number of its readers. I would like to acknowledge the efforts of Ms. Javaria, Sub-editor AERC Voice, Mr. Syed Muhammad Waqas for his technical support and Ms. Narjis Khatoon for framing this issue.

Happy reading ahead, I hope you find the pages followed by useful and interesting. I look forward to receive your feedback at aercvoice@aerc.edu.pk.

AERC



Faculty Research



BY : KHURRAM IFTIKHAR & SYED FAIZAN IFTIKHAR

The Impact of business cycle on Capital Buffer during the Period of Basel-II and Basel-III: Evidence from the Pakistani Banks.

The main objective of this study is to examine the behavior of capital buffer (whether procyclicality or countercyclical) for Pakistani banks after implementation of the BASEL-II and BASEL-III accord. The sample in this study consists of 34 commercial banks of Pakistan during the period from 2006 to 2015. The impact of business cycle on Capital Buffer has been obtained by using the two-step system Generalized Method of Moment estimation technique. The empirical findings suggest that the behavior of the banks found to be procyclicality in whole sample period while it turns to be counter-cyclical after implementation of Basel-III accord.



BY : FAUZIA SOHAIL & AMBREEN

Price Setting Behavior in Pakistan: Stylized Facts from Micro SPI Dataset

An established and decisive fact in macroeconomics states that prices of commodities do not necessarily change instantly in response to economic or political shocks, rather, evident an interlude of unadjusted period. For the existence of such rigidity in the price adjustment process, numerous reasons are identified in the literature depending on the nature of commodity and prevailing economic conditions. For instance, regulations imposed by the government on price adjustments, cost involved in immediate price alterations, legal agreements with the consumers, coordination failure, delayed information etc. This study thus aims to investigate price change mechanism considering the above stated interlinked issues for the case of Pakistan. The study reveals some astounding facts about the price setting behavior. On average, 15.8 percent of prices adjusted every week with the mean (median) duration of 5.8 (4) weeks of price spell. However, the results show highly heterogenous length of price duration when analyzed at product level. In analyzing the direction of price change, price increase is found more often than price decrease for most commodities. However, exceptions are found for most of the government controlled energy products. For these products price decreases emerge more frequently than price increases. Although frequency of price decrease is more common for most products, however, size of price change is another important phenomenon to analyze exact situation of price behavior. On average, prices are increased by 8.1 percent and reduced by 7.2 percent. The study reveals a broad spectrum of synchronization across cities ranges from partial staggered to perfect synchronized pricing behavior. The computed synchronization of each product across cities ranges between 24 to 100 percent. The Panel fixed effect model (LSDV) employed in the study confirms the sticky nature of regulated commodities. Highly significant impact of monthly average inflation and inflation volatility is found on the frequency of price change, hence proves the importance of state dependent factor in determining the pricing mechanism. Strong seasonal pattern is found is determining the frequency of price change thus also proves the existence of time dependent element in price adjustment process.

Orientation of M.A.S. / M. Phil. Program 2019-2020

The Applied Economics Research Centre started its 44th Annual Session of M.A.S. / M. Phil. Program on February 4, 2019. The M.A.S. / M. Phil. program consist of two parts, part I is comprised of 42 credit hours coursework while part II entails 12 credit hours thesis. This program trains students to be able to work in research organizations, academic institutions, financial and banking institutions, development agencies and the private sector. The Applied Economics Research Centre is a unique research institute devoted to imparting education at the post graduate level on one hand and conducting, supporting and encouraging the academic and policy oriented research in applied economics and related disciplines on the other. The Centre undertakes research with a focus on urban and regional economics, agricultural economics, human resource development, public finance, poverty, health and nutrition, industrial economics, trade, environment and gender issues. AERC publishes an internationally reputed bi-annual journal, Pakistan Journal of Applied Economics, along with several research reports, opinion pieces and newsletters for the public. AERC was awarded the title of Institute of National Capability in Applied Economics by the HEC, Pakistan. Graduates from the AERC are currently holding high level positions in organizations like World Bank, UN, State Bank of Pakistan, Universities and in private sector. This year on the Orientation day, Director Applied Economics Research Centre, Prof. Dr. Samina Khalil and In-charge Graduate Study Program Dr. Ambreen Fatima congratulated the scholars for getting enroll at AERC and ensured that this new phase would be the life changing phase of their lives.



Orientation of PhD. Program 2019

The Applied Economics Research Centre (AERC), University of Karachi, is a leading research and teaching institute in the country imparting advanced training in applied economics since 1979. The Applied Economics Research Centre also invites Masters degree holders in Economics from national and international HEC recognized institutes to enroll in PhD. batch 2019. The Doctorate program comprises of two parts, part I is comprised of coursework while part II entails thesis completion. Student Orientation held on Monday, February 4, 2019 for the newcomers, helping them to get the answers to the questions they had, and providing them information about the resources, programs and services available at the Centre. The newcomers introduced themselves and got familiarized with the teaching and non-teaching staff at the AERC. Students from diversified educational background, age and characteristics were selected for admission in M.A.S/ M.Phil and PhD this year. Outstation students from the Baluchistan, Punjab and KP are also the part of batch 2019. Prof. Dr. Samina Khalil, Director Applied Economics Research Centre and Dr. Uzma Irum, In-charge PhD. program greeted the newly admitted scholars and wished them best for their studies ahead. They also clinch the students about the quality of education and about the facilities they would avail during the course of study at the AERC.



Celebrations of recognition of Pakistan Journal of Applied Economics-PJAE in Category “X”

Pakistan Journal of Applied Economics since its inception in 1982, aims to provide its readers a unique forum for the exchange and sharing of information in the complex area of economics. The journal presents the social-economic problems, as expressed by economists, philosophers, political scientists, historians and business academics. The Journal publishes original contributions on applied issues in micro and macroeconomics. The primary criteria for selecting papers is quality and importance for the field. Papers based on a well motivated research problem that make a concrete contribution to empirical economics or applied theory are especially encouraged. It particularly fosters quantitative studies, the results of which are of use in the practical field, and thus helps to bring economic theory nearer to reality.

Pakistan Journal of Applied Economics offers wide-ranging studies of economic systems. The journal is an invaluable resource for keeping academics and practitioners aware of new trends, theories and developments. The PJAE is indexed by Journal of Economic Literature (JEL), ABDC, ProQuest (International Bibliography of Social Sciences), MIAR (Information Matrix for the Analysis of Journal), ECONBIZ, CABI, DRJI, SIS, RePEC, Publons, CiteFactor, WorldCat Research Database, International Scientific Indexing, ResearchBib (Academics Resource Index), Genamics (JournalSeek), Research Gate, Google Scholars, Ulrichsweb, J-Gate, Open Academic Journals Index, Economic Papers and ProQuest



Only recently Applied Economics Research Centre’s biannual journal Pakistan Journal of Applied Economics (PJAE) revamp from category “Y” to category “X” by Higher Education Commission HEC-Pakistan. It is because of the sheer dedication and commitment of the Publication Committee and Editorial Board under the dynamic leadership of the Editor Prof. Dr. Samina Khalil, the PJAE is able to improve its quality, frequency and scope. The Publication Unit of Pakistan Journal of Applied Economics (PJAE) includes Mr. Tufail D.J. Hakeem, Mr. Illyas Khan, Mr. Pervaiz Kifayat, Ms. Urma Ali and Mr. Ammar Ozair. In the up gradation of the PJAE by HEC from Category Y to Category X Dr. Syed Tehseen Javaid played a vital role in helping to fulfill the guidelines of the HEC and by improving the accessibility of the Journal.

Prof. Dr. Samina Khalil, Editor PJAE acknowledged the efforts of her Publication team, Editorial Board and Internal and External Reviewing Committees on embarking upon the important journey. She said that with the experience of team we can further climb-up the ladder and can hopefully continue to prosper and flourish in the years to come. Prof. Dr. Farah Iqbal, Chairperson Department of Psychology praised the collective efforts of the Publication Unit under the leadership of Prof. Dr. Samina Khalil and said that PJAE is the first social sciences journal of University of Karachi that is in the Category X of HEC. Dr. Roohi Ahmed, Chairperson Department of Economics also congratulated Editor PJAE and her team for the tremendous efforts in achieving the target.

Review of Current Landlords/ Hari/ Sharecropping Arrangements in Sindh- Endorsement Workshop January 18, 2019

Applied Economics Research Centre on January 18, 2019 hosted an endorsement workshop at Dilkusha Hall Pearl Continental Karachi on its research study Review of Current Landlords/ Hari/ Sharecropping Arrangements in Sindh. Project of the Food and Agriculture Organization of the United Nations. The workshop was chaired by Dr. Abdul Rahim Soomro, Secretary Forest and Wildlife Department, Government of Sindh and was attended by eminent field experts such as Chief Conservator, Aijaz A. Nizamani from Sindh Forest Department and Mr. Anthony John Lamb - Governance of Tenure Advisor, FAO-UN.

The study aims to identify the rights and obligations of sharecropper / hari and landowner under Sindh Tenancy Act 1950 framework, reviews current landlords / hari/ sharecropping arrangements in Sindh and examine the fundamental changes which have altered the relationship and living styles of haries and landowners in the province. The study concludes that arrangements for labour and tenancy work are verbal, with little or no written record of understandings or transactions. Field investigations revealed that many haris contest their accounts with zamindars. At the end of the harvest season, all accounts are notionally settled, with the hari's share of the inputs deducted from his share of the crop. Often, the hari's share is not sufficient to clear his loan and debt is carried forward, keeping the hari in perpetual indebtedness to the zamindar.

The workshop was endorsed by Education Director, Government of Sindh, Dr. Hamzo Khan Tagar, Mr. Waheed Jamali, Land Tenure Specialist; Saeed Jagirani General Manager SIDA; Director Agriculture Department Syed Javed Iqbal, Dr. Faheem, Assistant Professor, Department of Agriculture, University of Karachi; Deputy Director On farm Water Management & Agriculture Department, Government of Sindh Mr. Shahid Saleem Memon and Mr Pahlaj Rai, Water Management Officer from On farm Water Management & Agriculture Department, Government of Sindh apart from the project team that included Dr. Syed Ammad Ali, Mr. Syed Roshan Ali Shah and Ms. Javaria Shaikh Ismail.



The study concluded that 47 percent haris in Sindh have 57 percent input sharing while the output they receive is only 42 percent which in itself is challenging hari zamindar relationship. The study recommends implementing and amending the Sindh Tenancy Act as per on ground conditions and findings of baseline studies. The study concluded that the proper governance and administration of land is necessary in Sindh to ensure the equity and efficiency in agricultural production. The improved quality of production and right to access to the opportunities will help to eradicate poverty and will counter food insecurity and undernourishment.

Dr. Soomro said that this study if implemented can serve as the major contributor in reforming the hari-zaimdar relationship and input output sharing method in rural Sindh. He mentioned that the most crucial need of time is to create awareness among the local haris and sharecroppers about their rights in light of the Act. Dr. Soomro suggested that instead of formulating new functional

bodies it is better to adopt diversification of the function of existing bodies for the protection of the farmers rights. Mr. Anthony said that this baseline study will empower the local haris and sharecroppers in Sindh and would help to develop Food and Agriculture Organization a VGTT framework along with Government of Sindh to protect the rights of the farmers. Mr. Aijaz Nizamani said that the key is to understand the dynamics of the rural economy and encompass the challenges and opportunities available for the locals. He also said that in Sindh, there remains the need to bring reforms in the agriculture sector of the economy, revenue system and water management system to end the exploitation of basic human rights.



INTERNATIONAL CONFERENCE 2018



**“Central Asian Regional Economic Integration and CPEC:
Prospects, Challenges and the Way Forward (CAREIC-PCWF)”**



Central Asian Regional Economic Integration & CPEC: Challenges, Prospects and the Way Forward (CARRIC-PCWF) 2018



The annual mega event of three-day international conference on a very important theme, **Central Asian Regional Economic Integration and CPEC: Prospects, Challenges and the Way Forward, (CAREIC-PCWF)**, was held from **December 18-20, 2018**, organized by the Pakistan Society of Applied Economists of a key academic research institute and think tank, **Applied Economics Research Centre (AERC), University of Karachi**. The focus of discussion in the conference under aforementioned theme has potential positive consequences in evidence based understanding of the sectoral issues in terms of socio-economic and political dynamics of the central Asian region.

Unlocking the potential of Regional Economic Cooperation and Integration in Central Asia, the AERC international conference (2018) aimed at investigating the state of economic integration in Central Asia and identifies potential areas of CPEC for further strengthening sub regional linkages between Pakistan and Central Asia. CPEC is a part of the Belt and Road Initiative (BRI), which offers building of the other five corridors namely; (1) China-Central Asia Corridor, (2) Eurasian Land Bridge, (3) China-Mongolia-Russia Corridor, (4) Bangladesh-China-India-Myanmar (BCIM) Corridor, and the (5) Maritime Silk Road. In all of these five corridors at least three or more countries are involved. The CPEC, on the other hand, is an exclusive corridor between Pakistan and China to connect Kashgar with Gwadar and there is no third party involved.

Looking at the geo-strategic situation in the region, the important question arises that how the Central Asian Republics could be connected with Gwadar? It is traditionally thought that all roads

By: Prof. Dr. Samina Khalil
Chief Patron, International Conference, 2018

from Pakistan into Central Asia go through Kabul or Wahkhan and as geo-political conditions in Afghanistan are not normal for the past several decades, we need to look deeply in to, how this opportunity of trade and connectivity would be enjoyed ? Since 1991, Pakistan-Central Asian trade has not been substantially increased; Gwadar port could become a hub-port for the Central Asian Republics and solution to address Pakistan-Central Asian trading woes.

These Republics could carry out their South Asia and the Gulf trade and transit-trade through Pakistan. Unfortunately, in the past quarter century, this trade is dismal and it has not gone beyond US\$ 76 million in spite of lofty announcements and innumerable pledges committed by top leadership on both sides. CPEC offers novel solution to address Pakistan-Central Asian trading woes.

With abundance of natural resources such as oil, gas, gold, and other metals, central Asian Republics have great potentials to investment in CPEC-related projects and also to investment in the new industrial zones. CPEC-related investment is expected to go beyond US\$ 150 billion for all projects. Out of 46 industrial zones, 9 zones have been identified and work on three industrial zones is going to start soon. Almost all Central Asian Republics have shown interest in joining the CPEC. Looking at vast trade and transit-trade and investment opportunities and potentials, Central Asian Republics should take the benefits of the CPEC.

The conference was attended by national and international academic scholars, eminent political and bureaucratic personalities, foreign delegates, think tanks, electronic & print media and students.

The concluding points / comments on the overall deliberations of the three days conference are as follows.

Regional Economic Integration Through Trade

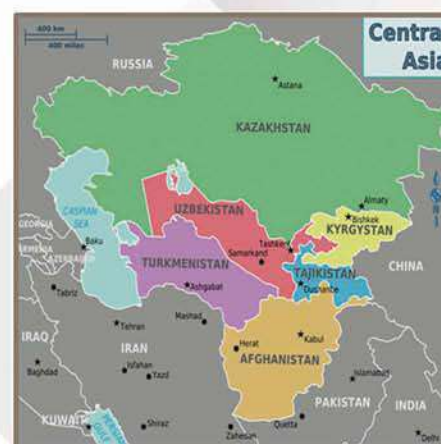
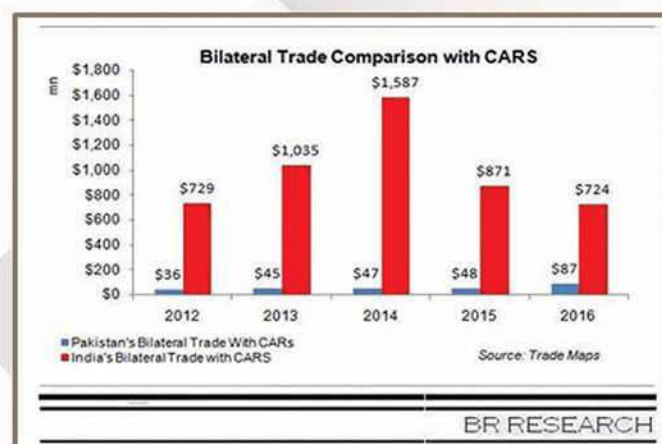
Pakistan current status of trade:

- During July – September. 2018 , Pakistan imports stood at USD 13.8 billion, an increase of 5.9% over the same quarter in FY2017.
- During the same time period exports were recorded at USD 5.9 billion, an increase of 3.6%.
- The trade deficit was recorded at USD 7.9 billion, an increase of USD 0.6 billion compared with the same quarter in FY17.

- At the end of the first quarter FY19, total foreign exchange reserves stood at USD 14.9 billion, out of which reserves held by State Bank of Pakistan (SBP) were recorded at USD 8.4 billion, a decrease of USD 5.5 billion.
- In FY18, import of services stood at USD 11 billion, an increase of 11.5 % compared to FY17.

Pakistan's trade with Central Asian Region (CARS)

- Pakistan's \$37.4 million exports to CARS in 2016 were less than 1 percent of CARS total imports which amounted to \$46 billion. India's exports to CARS were nearly 9 times more than Pakistan's exports.
- In FY18, import of services stood at USD 11 billion, an increase of 11.5 % compared to FY17.
- Among India's top exports to Central Asian States in 2016 were medicaments worth \$9.8 billion, rice worth \$ 5.2 billion, and cotton worth \$1.34 billion.
- Rice, medicaments, cotton, along with wheat, medical instruments, sugar, and cement are some of the top exports of Pakistan, in terms of quality and/or volume, which are in demand by the CARS.
- Given the scope of trade available with CARS, to see Pakistan's total export at \$37.4 million to CARS is lamentable.
- According to the State Bank of Pakistan current Pakistan's trade volume with the region stands at \$58.4 million.
- During the first eight months of the last fiscal year, Pakistan exported goods and services valued at \$50.7 million to the Central Asian countries while its imports from the region stood at \$7.718 million.



- Pakistan's largest trading partner in the region is Kazakhstan, to which Pakistan exported goods worth \$36.8 million during the period, followed by Tajikistan and Turkmenistan.
- Pakistan's two-way trade with Uzbekistan was \$14.3 million during this period. The trade balance was in favour of Uzbekistan.
- The existing trade volume between Pakistan and Central Asian countries is below potential.

We need to increase trade with the Central Asian Countries.

Resources of Central Asian Region:

- Kazakhstan has roughly 3% of the world's oil, 4% of the world's coal, and 15% of the Uranium. Kazakhstan also has the world's largest reserves of zinc, lead and chromite, and it is in the top ten for supplies of copper, iron ore , gold and manganese.
- Kazakhstan, Turkmenistan, and Uzbekistan export oil and natural gas as well as liquefied natural gas.
The Kyrgyz Republic and Tajikistan have major hydropower resources that could be channelized to market electricity to Afghanistan, People's Republic of China, Iran, Pakistan, and the Russian Federation.
- Kazakhstan is a prominent world leader in coal production. Moreover, Kazakhstan and Uzbekistan have uranium reserves.
- In terms of climate , Central Asia has geographic extremes including the world's northernmost desert (sand dunes), the world's shortest distance between non-frozen desert and permafrost, considered as the Eurasian pole of inaccessibility.
- Major sea routes include the Aral Sea and Lake Balkhash, both of which are part of the huge west-central Asian endorheic basin that also includes the Caspian Sea. All these factors enhance geo-political and economic importance of CARs.

Barriers to Regional Economic Integration with Central Asian countries:

- Relations between Pakistan and Central Asian countries are focused around mutual history, religion, topographical vicinity, customs, culture and fate.

- Relations between Pakistan and Central Asian countries are focused around mutual history, religion, topographical vicinity, customs, culture and fate.
- Pakistan's longing for close financial and political relations with CASs have been tormented by Pakistan perpetual economic and political instability.
- Visa issues and non-tariff barriers are the major reason for low trade volume. No direct flights and cargo link between Pakistan and Central Asia, non-tariff language and communication issues are the barriers to increasing trade with Central Asia.
- Absence of a common border with any Central Asian state is one of the principle obstacles to approaching this area.
- Instability in Afghanistan and after the 9/11, US war against terrorism has constrained Pakistan to proceed.
- Topographically, Tajikistan is the most closely located state to Pakistan, the distance being just only 14-kilometers.

Regional Economic Integration and Governance

- The success of gains from Regional integration is tied solidly to effective political leadership within the region and in Pakistan.
- Beyond showing political will at the top, governments will also need to demonstrate sincerity and commitment to achieving set regional integration objectives.
- Government need to address urgently national political and socio-economic challenges which impede sub-regional and regional initiatives and integration.
- For that, they must put in place: good governance; responsible and accountable leadership; democratic norms and values; and effective state-society relations
- Countries in the face of endemic poverty, inequitable distribution of national resources, political corruption, ethnic fractionalization, ethnocentrism, and nepotism suffer grave negative political-economic implications for national, sub-regional and regional development.
- The lack of shared political, economic and social interests, norms and values undermine national development and the spillover effects are felt at the sub-regional, and regional levels.

- Although Pakistan has signed regional agreements and established regional institutions, the structures and institutions necessary to propel integration are either non-existent or weak at the national level.
- Beyond these weaknesses, however, the persistent over-reliance by our governments on external developmental assistance and aid.
- Whereas the rich natural resource endowments remain untapped at national, regional level are issues yet to be effectively addressed.

Regional Economic Integration and CPEC

The Belt and Road Initiative has two international trade connections:

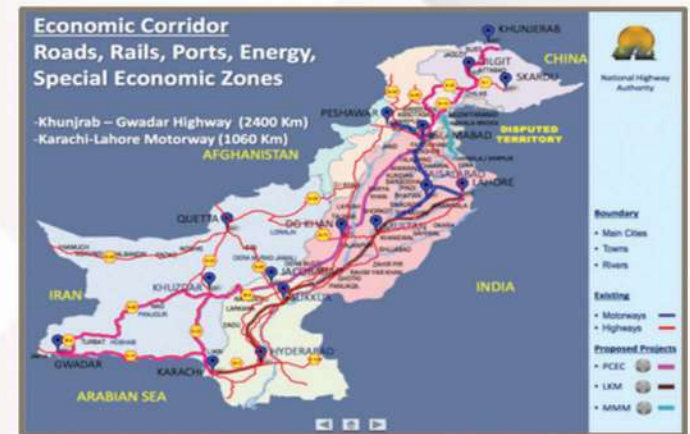
- ‘Silk Road Economic Belt’
- ‘21st -Century Maritime Silk Road’



CPEC is the part of the former one:

- CPEC is a collection of infrastructure projects that are currently under construction throughout Pakistan.
- Originally valued at \$46 billion, the value of CPEC projects is worth \$62 billion as of 2018.
- CPEC is intended to rapidly modernize Pakistani infrastructure and strengthen its economy by the construction of modern transportation networks, numerous energy projects, and SEZs.

- Special Economic Zones (SEZ) have been established in all provinces and regions in Pakistan under CPEC.
- The main object of SEZ is generation of additional economic activity, promotion of exports of goods and services and investment from domestic and foreign sources.
- The approximate value of CPEC projects is now worth \$62 billion.
- Modern transportation networks built under CPEC will link seaports in Gawadar and Karachi with northern Pakistan, as well as points further north in western China and Central Asia.
- CPEC's potential impact on Pakistan has been likened to that of the Marshall Plan undertaken by the US in post-war period.
- Pakistani officials predict that CPEC will result in the creation of upwards of 2.3 million jobs between 2015–2030, and add 2 to 2.5 percentage points to the country's annual economic growth
- Enhancing connectivity through modernized road, rail and air transport networks will encourage business activity, people-to-people ties through scientific and creative circles.
- It will create a model of win-win partnership in the integrated region of Central and South Asia.
- The deep-water port of Gwadar, washed by the Arabian Sea, being one of the hubs of the corridor, in the future can establish communications with the countries of Central Asia with further access to Europe.
- The port will be connected by rail, road and energy routes to western China and all major cities of Pakistan.
- Central Asia, which has no access to the open sea but has considerable resources, has always sought to gain entry to regional markets, including the markets of Pakistan, China, India and West Asia.
- CPEC could provide Turkmenistan, Uzbekistan, Kyrgyzstan and Tajikistan with a strategic opportunity to promote their products in regional and global markets.
- Undoubtedly, the economic benefits of the project will ultimately lead to the growth in the well-being of all Asia space, which is a home for more than 4 billion people.



Inaugural Session (Day-01)

International Conference 2018 - Proceedings/ Insights



Prof. Dr. Muhammad Ajmal Khan



Prof. Dr. Samina Khalil



Dr. Uzma Irum

The Applied Economic Research Centre organized yet another three-day international conference this year on the theme “Central Asian Regional Economic Integration & CPEC: Challenges, Prospects and the Way Forward (CAREIC-PCWF) 2018”. The Conference was inaugurated by the Advisor to the Prime Minister for Institutional Reforms and Austerity Dr. Ishrat Hussain and by the Vice Chancellor University of Karachi Prof. Dr. Muhammad Ajmal Khan.

Dr. Ishrat Hussain congratulated the Director AERC for reviving the legacy of the Centre by arranging international conferences, seminar and lecture series and journal publication. He said that he wants to see Applied Economics Research Centre to take its position back as one of the top notch institution in Applied Economics in Pakistan. Dr. Hussain suggested to expand the scope of the academic research of the Centre and to engage students from diverse background; he said that the need of time is to merge Economics with Politics, Psychology, Sociology and other subjects. Dr. Ishrat also said that AERC must also thrive to cover the future transformation of the economy from industrial economy to knowledge economy as under the new arrangements Pakistan would require 1st rate knowledge workers.

Prof. Dr. Muhammad Ajmal Khan congratulated Director Applied Economics Research Centre for not only inviting the intellects to discuss about the opportunities and challenges under CPEC faced by Pakistan but also for framing out the possible solutions to counter the issues raised. He said that China Pakistan Economic Corridor (CPEC) is one of the most important agreement that has taken place between the Pakistan and China. Dr. Khan believes that the effective and inclusive governance system may help in making sound and workable policies to ensure concrete base for lasting economic and social development of the region. All the sectors of our economy are in need of new set of rules and state of the art methods to improve the economic situation and set it on the path of lasting growth under CPEC.

Prof. Dr. Samina Khalil, Director Applied Economics Research Centre and Chief Patron of the Conference welcomed the distinguished Chief Guest, honorable Vice Chancellor, learned academicians and scholars and eminent speakers to the conference. Addressing the house on the theme she said that it is the time that we in Pakistan need to realize that we can capitalize on new regional and international development dynamics, including the Belt and Road Initiative (BRI), to strengthen regional infrastructure, raise productivity, boost trade, strengthen institutions and reduce poverty which is the ultimate objective of all growth related efforts of developing countries. She further added that the Chinese flagship project of Belt and Road Initiative that is CPEC has a pivotal role to

Inaugural Session (Day-01)

International Conference 2018 - Proceedings/ Insights

play in Regional Economic Integration as Economic corridors would lead to integrating economies across regions. The project of CPEC is aimed to enhance the trade volume of not only Pakistan and China but of the whole region. This project is not merely a route that connects Gawadar and Kashgar but the opportunity for its players to enjoy the fruits of trade openness with Europe, Middle East, and South Asia and Central Asia. Some of their environmental effects notwithstanding, well-functioning and efficient economic corridors are essential for the development of a region as a whole.

Dr. Uzma Irum, Head of Conference/ Seminar at Applied Economics Research Centre thanked all the panelist and participants for making the conference possible along with the conference team, administration, accounts, IT and logistic team and other working committees for working day and night to put forward a bigger and better conference this year. Addressing on the theme Dr. Irum said that this is the high-level international conference on economic integration and the 2030 Agenda for Sustainable Development, the universal, integrated and transformative agenda that aims to stimulate actions that end poverty and build a more sustainable world over the next 12 years. The Central Asia Regional Economic Cooperation (CAREC) Program leading to 2030 provides the new long-term strategic framework for the region. The CAREC Program, now 17 years in operation, has recorded impressive achievements in regional economic cooperation, particularly in the areas of transport, energy, trade facilitation, and trade policy. From 2001 to end September 2017, investments in member countries under CAREC have amounted to \$30.5 billion, covering 182 projects. CAREC builds on the solid foundation of progress which provides the new long-term strategic framework for the CAREC Program leading to 2030. CAREC is aligned with national strategies and with the global development agenda. It is inspired by a mission to create an open and inclusive platform that connects people, policies and projects for shared and sustainable development.

The Quaid-e-Azam Lecture by Dr. Ishrat Hussain

The first session of the day on the theme CPEC, CAREC and the role of Pakistan was chaired by Dr. Farrukh Iqbal, Dean and Director IBA, Karachi and Quaid-e-Azam lecture was delivered by Dr. Ishrat Husain, Professor Emeritus and Chairman CEIF (IBA), Karachi and Advisor to the Prime Minister of Pakistan on Institutional Reforms and Austerity. The keynote speakers of the session were Dr. Guoliang Wu, Unit Head, CAREC Secretariat Senior Regional Cooperation Specialist Central and West Asia Department Asian Development Bank Manila, Philippines and Mr. Shah Nawaz Mahmood Deputy Managing Director, Pak-China Investment Company Limited.

While speaking on CPEC, CAREC and Pakistan Dr. Ishrat Hussain said that Pakistan has embarked upon an ambitious program of economic cooperation with China under its Belt and Road Initiative (BRI). China-Pakistan Economic Corridor (CPEC) is one of the six



Dr. Ishrat Hussain

Session I (Day-01)

The Quaid-e-Azam Lecture by Dr. Ishrat Hussain

corridors that would connect China with the rest of the world. In the first phase that begun in 2015 energy and infrastructure projects along with the development of Gwadar were focused upon. Almost USD 27 billion worth projects have either been completed or in different stages of completion. CPEC is now entering in its next phase in which industrial cooperation, trade and market access, agriculture development and poverty alleviation and socio-economic development would be given high priority. However Pakistan's efforts of regional connectivity are not confined to China only. Pakistan is the part of SAARC, ECO, SCO and CAREC. A dispassionate analysis however reveals that the desired benefits from the regional cooperation initiatives have not yet translated into meaningful results.

Dr. Hussain further added that CAREC is a partnership of 11 countries supported by six multilateral institutions to promote development leading to accelerated growth and poverty reduction. The four priority areas are almost identical to those identified under CPEC therefore; there is an internal consistency between the two initiatives that can produce synergies for the entire region. CPEC infrastructure projects can be connected with the landlocked countries to Gwadar which would be the shortest for carrying their goods for international trade if road and rail connections are established; trade facilitation across borders is enabled as off shoot of the CPEC or as part of CAREC projects. The pull factors for investment in Pakistan by China includes combating energy shortages, road and rail infrastructure construction with focus on completion of three corridors- the Eastern, Central and Western highways from Gwadar to Kashgar and upgradation of Peshawar-Karachi railway system, currency swap agreements, fiber optic cable cross border connectivity, large market size and growing urban class. While inhibiting factors include poor quality institutions, lack of coordination between different government agencies, high corporate taxes and delay in trade facilitation.

Dr. Ishrat while concluding his lecture said that successful corridors such as CPEC or CAREC can exploit economies of scale, expand the size of market through better connectivity but the recipient countries themselves have to work on strengthening their institutional capacity and human resources and skill development policy. The integrated space within economic corridors relies upon free movements of labour and capital and trade & investment flows. These economic corridors can indeed boost competitiveness through improved logistics, lowered costs of production and distribution of both goods and services under an enabling environment of transparent and predictable policies, credible institutions, properly aligned incentives and resilient investments.

Dr. Guoliang Wu on the other hand highlighted and explained that CAREC 2030 mission aims to create "A Regional Cooperation Platform to Connect People, Policies and Projects for Shared and Sustainable Development". The development partners are working to promote development through cooperation, leading to accelerated growth and shared prosperity. By the end of September 2018, \$32.9 billion investments covering 190 projects in the areas of transport and energy connectivity, trade and economic corridor development were completed under the arrangements.

Dr. Wu shared that the priority areas under CAREC are Economic and Financial Stability, Trade Facilitation and Trade Policy, Infrastructure and



Session I (Day-01)

The Quaid-e-Azam Lecture by Dr. Ishrat Hussain

Economic Connectivity Cluster, Agriculture and Water Cluster and Human Development Cluster. While the specific objectives under each priority includes; regional learning and knowledge sharing on economic and financial stability, with focus on sector linkages and policy responses, promoting financial and monetary cooperation through information exchange forum among central banks & capital market regulators and developing common approaches to international standards, leading to eventual cross-listing of securities. While Trade Facilitation and Policy could be done by supporting for WTO TFA, single window and coordinated border management, mitigating non-tariff barriers: SPS & TBT, promoting trade in services, regional trade agreements and people-to-people contact. It could also be achieved through supporting community-based, economic and urban-tourism and by harmonization of visa regimes. Economic corridors can be promoted through welcoming the regional and global value chains, completing the ABEC and through supportive urban policies and programs. Whereas transportation can be promoted through multimodal and sustainable transportation systems, railway management and improving railway infrastructure, liberalization of civil aviation and open-skies agreements, logistics infrastructure to facilitate transport in landlocked countries and road safety and road asset management. Clean & renewable energy by leapfrogging technologies to curb carbon emission; consider emission trading systems and integrating energy markets through TUTAP, TAP and TAPI. While addressing agriculture and water management problem regional knowledge sharing on adaptation and agricultural technologies is necessary with conservation of bio-resources through cross-country ecosystem while “early harvest” areas could also include irrigation efficiency, flood risk management and water contamination reduction. Integrated labor market information system development and cross-border higher education and TVET program offerings and recognition of mutual skills and qualifications is also the part of priorities. While in the area of health, communicable diseases control and pandemic risk management, health-related surveillance systems and cross-learning in prevention and treatment protocols is also promoted.

Dr. Wu said that the government in order to capitalize the priorities set should further promote high value-added activities in which Pakistan and Central Asian countries can be competitive in international markets and should prioritize clustering of activities surrounding value chains to help industries move up the value chain by developing more technological sophistication. Reducing high trading costs to eliminate trade distortions within supply chains and strengthen regional competitiveness of industries and facilitating trade in collaboration with DPs to diversify exports, improve trade logistics, lower transportation costs, and reduce NTBs at and behind the border can also be of help. The government should also focus on establishing business-friendly visa arrangements to facilitate movement of professionals, workers, traders, investors, and freight forwarders etc and should also appreciate regional interdependence that enhances and promotes national and regional competitiveness and promote sustainable growth. The government should also carefully align national interests with regional priorities, manage risks to mitigate social, economic and environmental consequences due to increased connectivity, foster enabling environment for private sector participation and leverage support from development partners.

Mr. Shahnawaz Mahmood addressing the investment opportunities available under CPEC, said that China’s economy is expanding by an average of 8 percent per year. Any fluctuation in China’s economic and financial market creates huge impact on the trading partners’ economy. Before the financial crisis of 2008, the volatility in Chinese market used to create 2 to 3 time change in the regional markets especially of export oriented economies such as Korea and financial centers such as Hongkong and Singapore.

Day-01

The Quaid-e-Azam Lecture by Dr. Ishrat Hussain

Mr. Mahmood also added that Chinese currency Yuan has important relationship with other currencies of the region as Asian equity markets are highly correlated with the Chinese Stock Market. Chinese market is more focused on production of high value added goods, thus there remains great potential for Pakistan and other trading partners to enter Chinese economy through such production. While in the agricultural sector of Pakistan the production inefficiencies can only be reduced through structural transformation and changes. He said that efficiency can be improved through target subsidies within the system such as CAREC has given to promote small and medium scale industries of the region.

Mr. Shahnawaz also emphasized that it is necessary to first target regional connectivity and then global connectivity. He also promoted the role of public-private partnership for the successful and efficient completion of the projects such as in specialized economic zones in the CAREC region. There also remains room for research collaboration in the region with the special focus on peace and stability building activities which will foster the economic growth of the region collectively.

Dr. Farrukh Iqbal highlighted the need of knowledge based workers under CPEC of which the need is being catered through academic trainings and exchange programs. The exchange programs let the professionals to get hands-on training on the latest technology in China and are later transferred to Pakistan for sharing the skills learned. The trained professionals are most likely to take over the high level projects of energy and infrastructure under CPEC in the Pakistan. Dr. Farrukh Iqbal weighted on the importance of accumulation of new skills and advised the students to acquire and up-grade their knowledge for future opportunities.



Mr. Shahnawaz Mahmood



Dr. Farrukh Iqbal

Session I - Parallel Technical Sessions

Under the main theme, Central Asian Regional Economic Integration & CPEC: Challenges, Prospects and the Way Forward (CARRIC-PCWF), the Parallel Technical Sessions on the first day of the conference was observed on subthemes; Trade and Regional Economic Integration, FDI, Trade and Regional Economic Integration and Stock Market Efficiency and Economic Growth.

The Technical Session on Trade and Regional Economic Integration was chaired by Commdore (retd) Ali Abbas, Director Bahria University Karachi and was reviewed by Dr. Bilal Ahmed, Director Research and Development Federation of Pakistan Chamber of Commerce and Industries and Dr. Amir Hussain Siddiqui, Research Economist Applied Economics Research Centre. The participants of the session included Dr. Adam Saud from International Relations, Bahria University Islambad, who presented his paper on

Session I

Parallel Technical Sessions



Mr. Ali Abbas SI(M)



Dr. Syed Hasanat Shah



Dr. Ashraf Wasti

Changing Dynamics of Uzbekistan's Foreign Policy Under Shavkat Mirziyoyev: Prospects for Central Asian Regional Economic Integration. Mr. Miraj-ul-Haq from International Institute of Islamic Economics, Islamabad presented his paper on Exploring Potential and Perils of Pak-China Bilateral Free Trade Agreement: Trade Creation and Trade Diversion Approach, Ms. Aisha Nazir from Government College University Faisalabad presented her research on Nexus between Human Capital, Economic Growth and Trade Liberalization: A Regional Comparison of selected South and East Asian Countries while Ms. Kubra Siraj from Applied Economics Research Centre who presented her study on The Impact of Trade Facilitation on FDI and Trade: Empirical Analysis for South Asian Countries.

The Parallel Technical Session on the subtheme FDI, Trade and Regional Economic Integration was chaired by Dr. Syed Hasanat Shah, Associate Professor & Foreign Expert, from Jilin University, China. The discussants of the session were Dr. Shaista Alam, Associate Professor Applied Economics Research Centre and Dr. Syed Tehseen Javaid, Assistant Professor, Applied Economics Research Centre. The participants of the session included Ms. Saba Ashiq from Quaid-e-Azam University Islamabad who presented her paper on An Empirical Analysis of Economic Growth-FDI Nexus: The Role of FDI Volatility in Pakistan, Ms. Amna Sohail Rawat from Iqra University presented her research on the Determinants of Chinese Foreign Direct Investment: Lessons from CAREC Countries, Ms. Mahnaz Muhammad Ali from The Islamia University Bahawalpur who presented her study on Foreign Direct Investment and Current Account Balance: The Case of South Asian Economies and Mr. Muhammad Akbar from NUML, Islamabad who shared his study on The Impact of Foreign Direct Investment on Economic Growth through the Channel of Economic Freedom: The Case of Asian Economies.



Mr. Bilal Ahmed



Dr. Shaista Alam



Dr. Aamir Siddiqui

Session I

Parallel Technical Sessions

The Technical Session on the theme, “Stock Market Efficiency and Economic Growth”, was chaired by Dr. Syed Ashraf Wasti, Ex-Associate Professor Applied Economics Research Centre and was accompanied by Dr. Wali Ullah, Associate Professor, Institute of Business Administration, Karachi and by Dr. Kalim Hyder, State Bank of Pakistan as the discussants. The participants of the session included Mr. Asad Ali from Institute of Business Administration, Karachi who presented his paper on Stock Market Efficiency: The Pakistan Stock Exchange Merger, Mr. Muhammad Shafiq-ur-Rehman from Applied Economics Research Centre who presented the study on The Empirical Determinants of Stock Market Development-Analysis of Developed and Developing Economies, Mr. Mubaashar Hussain from Mohammad Ali Jinnah University, Karachi presented his paper on Exploring the Nature of Relationship between Political Instability and Economic Growth: A Case of Pakistan and Dr. Muhammad Arshad from Shaheed Zulfikar Ali Bhutto Institute of Science and Technology presented his study on the Long-Run Sources of Economic Growth: A Regime-wise Analysis for Pakistan Economy.



Dr. Tehseen Jawaid



Dr. Wali Ullah



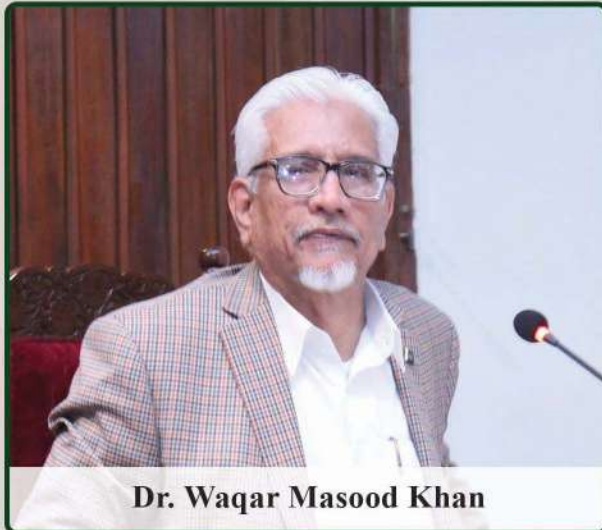
Dr. Syed Kalim Hyder

Panel Discussion

The Panel Discussion on the first day of the conference was held on Regional Economic Integration through Trade. The session was chaired by Dr. Waqar Masood Khan, Former Secretary Finance, Ministry of Finance, Government of Pakistan while the panelist of the session included Prof. Dr. Qazi Masood Ahmad, Chairman, Centre of Executive Education, Department of Economics and Finance, IBA, Karachi; Mr. Salmaan Farooq, Regional Trade Promotion Advisor, Pakistan Regional Economic Integration Activity (PREIA); Mr. Shabbar Zaidi Territory Senior Partner and Chairman A.F. Ferguson & Co, Chartered Accountants, Karachi and Dr. Syed Hasanat Shah, Associate Professor, Foreign Expert, Jilin University China.

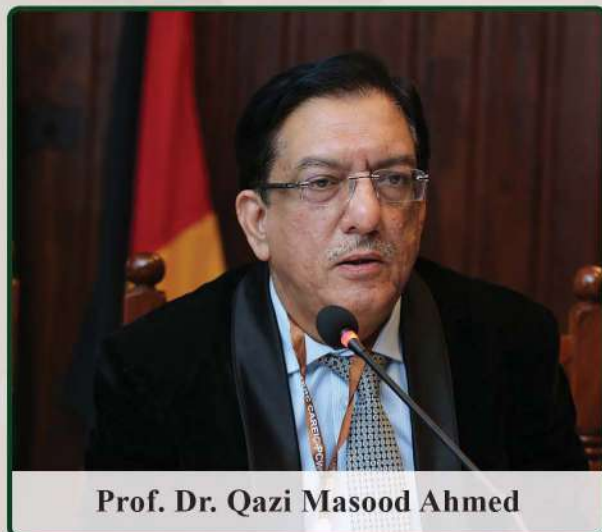
Dr. Waqar Masood Khan addressing the house said that CPEC is a valuable initiative which would serve as a radical break from the past through regional corporation and integration. He said that CPEC has potential to raise the base of economic development and economic growth in the country. CPEC is considered as a flagship project for long term development and partnership among the regional powers. Dr. Khan said that threat to the project could be aggression and terrorism to destabilize Pakistan and the region by the international

Panel Discussion



Dr. Waqar Masood Khan

powers. He said that it is because of the state of terror in Afghanistan that there is no peace in Pakistan. Prof. Dr. Qazi Masood Ahmad speaking about integration said that Pakistan is confronting many challenges today which are serving as great hindrance in connectivity and integration. The challenges for the country accounts for current account deficit, trade deficit, low investment, depleting foreign reserves and low share of exports. Dr. Qazi said that the trade potential of Central Asian economies is not fully explored by Pakistani business community. The trade between Pakistan and Central Asian economies accounts for only 100 million USD. There are several linkages that can be created between Pakistan and Central Asian economies but before that the regional powers must counter terrorism, extremism and political instability collectively. Pakistan in order to capture the new market must work on supply side issues. The country must overcome energy crisis, control law and order conditions and exchange rate. For the smooth economic and trade integration the key idea lies behind creating political will and good relationship with regional partners and then opening the borders for free trade.

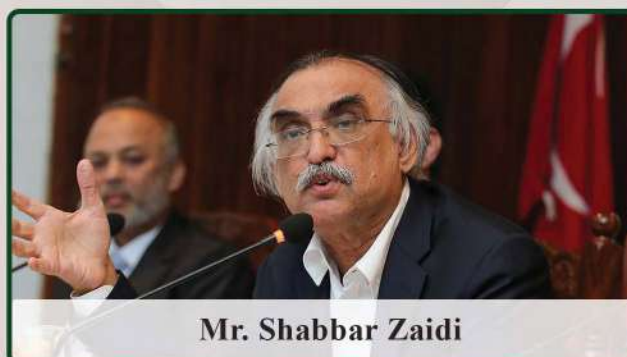


Prof. Dr. Qazi Masood Ahmed

Mr. Shabbar Zaidi emphasized upon capturing the increasing demand of the consumers of the region through integration and trade facilitation. Mr. Zaidi said Pakistan unfortunately is not yet ready to capture the growing demand as the population of its neighboring economies is growing rapidly. He said that it is due to lack of vision and fortitude to design policies that Pakistan is facing immature decentralization of its industrial units. The rubber and plastic that was manufactured previously within the country to make shoes is now imported from China. The heavy reliance on imports has to face highest trade deficit in the history in June 2018. Pakistan must make terms with China in such a way that industrial base under CPEC should replace Pakistan's import or otherwise there would remain a room to revise the economic rational of the project.



Mr. Salman Farooq



Mr. Shabbar Zaidi



Panel Discussion

He said that Pakistan should negotiate that with CPEC, domestic manufacturing units should not get hurt and that the industrial base would assist Pakistan in decreasing the import bill.

Mr. Salman Farooq comparing the composition of trade with developed countries and Central Asian economies said that 80 percent of our total exports are directed to EU and American countries while the share of export is only 68 USD million to Central Asian countries. He said that due to high non tariff barriers in Central Asian economies, Pakistan is still not able to capture the market. There is a high cost of visa for business community in Central Asian countries as compared to the visa cost in EU and USA. Due to complications the businessman is still not familiar with the requirements and demand of the market there. There is also the language barrier in these countries, only a small share of people are able to communicate in English there. Mr. Farooq also said that trade is cheaper through sea as compared to road and air route. For Pakistan to reach Central Asian markets, transit routes remain a challenge as they have to pass through Afghanistan which gets affected due to change in political situation and through China which gets affected by weather and remains nonoperational for at least six months in a year. The banking system in Central Asia is not globally recognized which cause the delays in payment. He also said that unlike with EU in terms of GSP and GSP Plus Pakistan does not have any specific trade agreement with the Central Asian economies. Trade facilitation and bureaucratic process is extremely complex and lengthy in these countries, it takes at least 24 months for companies to register and trade with the country after approval from government departments.

Dr. Syed Hasnani Shah highlighting the importance of trade and welfare said that according to the theory and in practice, trade increases the overall welfare of the society, however the redistribution of the welfare may differ. Dr. Shah said that China did not open its economy for trade from 1949 to 1979 and this period the country prepared itself domestically to compete with the foreign competition. The growth of China's economy increased rapidly after it opened it for the international trade. Pakistan, without preparing its economy for competition and comparative advantage and without any planning, open its economy for international trade thus is facing many challenges to cope up with. Pakistan borrowed huge amount of money on different grounds from different international donors but failed to utilize them effectively. Pakistan even today does not really know what it is going to export to China and what are the needs of the consumer there but is still ready to integrate and trade with the region. Pakistan currently is facing policy inconsistency, energy crisis, low education skill level, under developed entrepreneurship and lack of human capital. The country must figure out its dynamic reveal comparative advantage rather than static reveal comparative advantage and tap the potential markets.





Session I - (Day 02)

Sir Syed Ahmed Khan Lecture



Dr. Gubad Ibadoghlu



Dr. Saffdar Sohail



Dr. Kaiser Bengali

The Sir Syed Ahmed Khan Lecture on day two of the international conference of Applied Economics Research Centre was chaired by Dr. Kaiser Bengali, Dean of Management Sciences, SZABIST Karachi while the keynote speakers of the sessions included Dr. Gubad Ibadoghlu, Senior Analyst, Economic Research Center, Baku-Azerbaijan and Professor at Rutgers University, New Jersey, USA and Dr. Saffdar Sohail, DG National Institute of Management, Islamabad.

While addressing the audience on External and Internal Challenges for Pakistan, Dr. Gubad Ibadoghlu said that there lies huge difference in the composition of exports of Pakistan and Azerbaijan. Pakistan's Textile and Cotton sector on average accounts for 55.39 percent of Pakistan's total export earning while Crude oil export on average accounts for 88 percent of Azerbaijan's total export earnings. He said that the export price of 1279 pound cotton in Pakistan is equals to retail price of 1 iPhone Xs Max while export price 20 barrel crude oil is equal to the retail price of 1 iPhone Xs Max in Azerbaijan. In 2011, demand for cotton was high, and the demand for iPhone was low compared with the current level of demands while the production cost of iPhone is lower than cotton or crude oil. In general cotton and crude oil production requires more labor and capital input than iPhone. China accounts for the second largest share in the world GDP by 15 percent while the biggest player is USA's economy that holds for 24 percent. India holds for 3 percent in the world economy's share while Pakistan does not hold any substantial share. China today is the largest growing economy in the world; in 1992 Russia's GDP was 11 percent larger than China while in 2016 China's economy was 536 percent larger than Russia. In 2017 China stood to be the most attractive market with strength in market size, consumption capacity and commercial infrastructure and has advantage over others on market growth rate while India is the third most attractive market with edge. In Pakistan the Real GDP growth on average is 4.3 percent and Consumer Price Inflation remained at 8.8 percent while the general government fiscal balance remained -4.7 and Current Account Balance at negative 1.3 percent of the GDP over 2000 to 2014. For Pakistan to learn lesson from its regional partners the country must focus on rapid industrialization, shifting economy to digitalization and high technology and robotics. Pakistan must also explore aviation and ocean engineering and work towards energy conservation and expanding medicine and pharmaceutical market and on-line trade and sales and should also work keenly towards regional integration.

Dr. Saffdar Sohail on the other hand in his talk focused on development through regional integration. He said that the main hindrance in Pakistan's way towards connectivity and growth is the structural and infrastructure problems. The contribution of Manufacturing sector

Session I - (Day 02)

Sir Syed Ahmed Khan Lecture

in GDP declined from 26 percent to 12 percent in the last 15 years. Under CPEC, establishment of industrial parks and zones therefore was given due importance since the beginning. China has principal advantages on national integration, efficiencies, technology and financing under BRI and has experienced successful transformation of Western China growth with other countries. Whereas for Pakistan the biggest constraint for long term development is lack of modern infrastructure and adaptability. Pakistan must overcome the bottleneck, particularly in energy, to match the world's pace. By the establishment of Gawadar Port, the new connectivity would emerge that would help to develop the remote and underdeveloped areas of Pakistan such as Balochistan, KP and Gilgit Baltistan. With Chinese aid Pakistan would eventually be able to grow and develop its export compatibility and output.

Dr. Saffdar further told the house that under CPEC early harvest projects of energy and infrastructure are either completed or at the different stages of completion. The outlook of CPEC includes connectivity, energy, infrastructure and Gawadar; the short-term outlook includes energy and transport projects while the long-term outlook includes principal areas of cooperation such as special development, tourism, connectivity, ICT, financing, agriculture, industrial parks and water management. The real objective of creating SEZs is to transform the transport corridors into economic corridors by developing under developed parts of the country under unified industrial development. He also said that the new connectivity would create new and modern cities and thus new economic zones.

Under CPEC and BRI the first pillar is to create connectivity and social special development zones while the next pillar is of regional connectivity. However the industrial cooperation has not achieved as desired; in 2013 industrial cooperation was taken up as shield anchor of the economic corridor while recently it has been put as the long-term plan of the CPEC. Pakistan established its Joint Working Group in 2013 on industrial parks in the Board of Investment. It has been established due to controversies created on the sites of industrial zones those industrial parks in one of the many ways to industrial cooperation. The Board of Investment has formed five sub-groups on Textile; Mines; Agriculture; Iron and Steel and Chemicals and has allocated them to different ministries to end the conflict. Pakistan even then performed bad mainly due to provincial and federal politics and because of the lack of clear and targeted vision and lack of mobilization of domestic resources. Pakistan must create transparent and clear financial mechanism for setting up industrial parks with China and must develop sectoral corporation and bilateral trade. Pakistan must also extend market lead government support and must target deeper integration from shallow integration through comprehensive and focused bilateral agreements.

Dr. Kaiser Bengali while concluding the session said that China and India are rising powers of the world today while Pakistan is situated in between the two emerging powers and is continuously falling behind. There is persistent increase in the consumption and imports of the country with low investment rate and exports. Since the beginning, Pakistan has ambiguous and unclear vision of CPEC and is not able to decide what strategy to adopt to move forward. He said that CPEC is highly politically driven initiative which is initiated to benefit Punjab the most. It would have been much cheaper to install energy plants in Karachi than anywhere else in the country. Dr. Bengali thinks that serious political commitment and will is lacking in the leadership of the county. Basic institutions of law and order and judiciary must be first reformed to practice intra and inter regional connectivity.

Session I - (Day 2)

Parallel Technical Sessions



Engr. M.A. Jabbar



Prof. Mehtab S.Karim



Prof. Dr. Syed Nisar Hussain Hamdani



Dr. Muhammad Sabir



Dr. Muhammad Rizwanul Hassan



Dr. Tariq Majeed

On the second day of the international conference, Parallel Technical Sessions were held on various socio-economic themes under the umbrella of the main theme Central Asian Regional Economic Integration & CPEC: Challenges, Prospects and the Way Forward (CARRIC-PCWF). The sub-themes of the Parallel Technical Sessions were CPEC and Regional Economic Integration, Human Development/welfare and Regional Economic Integration and Health, Nutrition inequalities and Regional Economic Integration.

The first Parallel Technical Session on CPEC and Regional Economic Integration was chaired by Engr. M. A. Jabbar, Life member of SAARC Chamber of Commerce and Industry and FPCCI while Dr. Muhammad Rizwan-ul-Hassan, Assistant Professor Department of Economics Mohammad Ali Jinnah University and Dr. Muhammad Sabir, Principal Economist SPDC, Karachi were the discussants for the session. The participants of the session included Mr. Ahsan Munir from Islamabad who presented his study on An Integrated Model For Technological Capability Upgrading Of Manufacturing Cluster(S) Of Pakistan Involving Collaboration With Sez(S) Along CPEC. Dr. Manzoor Ali Isran from Department of Management Science, SZABIST Karachi presented his research on CPEC: Threat Or Opportunity: Protecting Local Industry through Infant Industry Theory. Mr. Talha Mustafa from Regional Connectivity Division, COE-CPEC presented his study on Identifying Complementarities and Synergies between CAREC and CPEC for Regional Integration and CPEC in the Perspective of Pakistan Economy: Analysis of Past, Present and Future and Mr. Ishtiaq Ahmad from The Islamia University of Bahawalpur presented his study on CPEC in the Perspective of Pakistan Economy: Analysis of Past, Present and Future.

The Parallel Technical Session on Human Development/welfare and Regional Economic Integration was chaired by Professor Mehtab S.Karim, Vice Chancellor,

Session I - (Day 2)

Parallel Technical Sessions

Malir University of Science & Technology, Karachi while the discussants of the session were Dr. Adnan Haider, Associate Professor IBA, Karachi and Dr. Noman Saeed, Assistant Professor, Applied Economics Research Centre. The participants of the session included Mr. Syed Hassan Raza from National University of Modern Languages, Faisalabad who presented his research on The Impact of Globalization Quality of Life: An Empirical Investigation for Asian Countries. Mr. Majid Ali Rana from National College of Business & Economics, Lahore, Pakistan presented his study on, “An Application of Cost Malmquist Index: A case study of District Headquarters (DHQs) Hospitals of Sindh (Pakistan)”. Mr. Sami Ullah Qureshi from Applied Economics Research Centre presented his study on the Determinants of Private School’s Existence- A Case Study of Pakistan and Dr. Adiq. K.Kiani from Federal Urdu University Islamabad presented her study on the Household Remittances And Welfare Impact: An Econometric Analysis.

The Parallel Technical Session on Health, Nutrition inequalities and Regional Economic Integration was chaired by Prof. Dr. Usman Mustafa, PIDE, Islamabad while the discussants of the sessions were Dr. Tariq Majeed, Associate Professor, QAU, Islamabad and Dr. Lubna Naz, Assistant Professor Department of Economics University of Karachi. The participants of the session included Ms. Nilam Bano from Applied Economics Research Centre who presented her study on the Determinants of Child Nutritional Inequalities in Pakistan: Regression Based Decomposition Analysis. Mr. Nadeem Ahmed from IBA Sukhar presented her study on the Health, Trade Openness and Economic Growth in ASEAN. Ms. Zeenat Zia from Government College University, Faisalabad, presented her study on Socioeconomic And Demographic Factors Affecting Child Health In Bangladesh and Ms. Shamsa Kanwal from Quaid -E- Azam University, Islamabad presented her study on the Has Globalization Improved Life Expectancy And Depressed Child Mortality? An Empirical Analysis.



Dr. Noman Saeed



Dr. Lubna Naz



Dr. Syed Ammad Ali

Panel Discussion - (Day 2)

Regional Economic Integration and Governance



The Panel Discussion on day two of the conference was held on Regional Economic Integration and Governance. The session was chaired by Mr. Syed Salim Raza, Former Governor, State Bank of Pakistan, Ex-CEO, Pakistan Business Council, Member Economic Advisory Council, Government of Pakistan while the panelist of the session were Dr. S. Akbar Zaidi, Consultant Economist, Pakistan Associate Professor, Columbia University, USA, Mr. Muhammad Iqbal Tabish, Chief Executive- PIDC, Prof. Dr. Riaz Ahmed Shaikh, Dean, Faculty of Social Science & Education Department. SZABIST, Lt. Gen (R) Moinuddin Haider, Ex Governor of Sindh and Dr. Saffdar Sohail, DG National Institute of Management, Islamabad.

Mr. Syed Salim Raza speaking on the regional economic integration said that in 1980s and 1990s, 92 percent of the world trade was between advanced markets and emerging markets and only 8 percent was inter-air while today inter-air is 35 percent. China is playing major role in promoting trade and economic activities, it has world largest foreign exchange reserves and they have 40 percent import component in their exports which comes from other emerging markets. He said that China is now diversifying its pattern of industrialization to artificial intelligence (AI), super computer and aeronautical engineering. China's policy of one child has created the shortage of labour in the country However China wants to use their own labour for foreign value added products. China has 20 percent of world's GDP and is the second largest economy by Purchasing Power Parity (PPP) after USA. It also has 4 out of 10 largest banks of the world; China also posses 2nd largest stock market of the world while in the global Research and Development, China's share is 20 percent. China under BRI would use the corridor to enhance its export opportunities and would also corporate to enlighten growth in all the emerging markets including Pakistan. China's saving rate is currently 45 percent it is expected that China's middle class would be 35 percent of the total economy by 2030 which would increase their consumer demand and would open rooms for Pakistan and other emerging markets to capture the market.

Panel Discussion - (Day 2)

Regional Economic Integration and Governance



Mr. Muhammad Iqbal Tabish



Prof. Dr. Riaz Ahmed Shaikh



Dr. Saffdar Sohail

Dr. Akbar Zaidi talked about the possible outcomes of the regional integration and close ties with China. He said that today China is producing everything. There is nothing that China is not producing; USA, Japan and South Korea combined are producing less number of engineers as compared to alone the number of engineers produced by China. Dr. Akbar said that Pakistan must open for regional integration keeping in view the experience of Africa, Sri Lanka, and Kazakhstan. Pakistan must make it clear that Pakistan is seeking to work with China not under China for avoiding the possible conflicts. Pakistan has important geographical location, even then Pakistan does not have good ties with four of the three neighbors. Pakistan, despite of the low cost, cannot purchase barrel of oil from Iran because of the UN Sanctions. He said that Pakistan is already member of many regional organizations such as SAARC since 1984 but has low volume of trade with member countries. Whereas India is the 7th largest trading partner of China, the trade between Pakistan and India is 3 billion USD which could be increased to 35 billion USD if both the countries agree to trade freely. Over the years, Pakistan has increased its dependency on China and Saudi Arabia, while America is Pakistan biggest aid donor in past 70 years. Dr. Zaidi suggested that for Pakistan, regional collaboration is better than regional integration. Pakistan must take into accounts the CPEC terms and conditions for long-term growth and development of the country.

Mr. Iqbal Tabish highlighted the geo-strategically location of Pakistan. He said that Pakistan is situated between the world's largest populated countries and world's largest growing economy. Pakistan is already an active member of the regional integration bodies such as D8, SAARC, ECO and many more but has failed to attract substantial investment. If the country can create reforms in the rule of law and can introduce environmental standards and ensure consistency in the policies, more foreign investment would be attracted towards ventures in Pakistan. He said that Pakistan is aiming at regional integration through CPEC but is not fully prepared for it; unavailability of basic inputs such as clean drinking water, electricity, gas and poor law and order conditions leave a big question mark for the investors in Pakistan. Pakistan is capable of overcoming the challenges and embracing the opportunities available but it needs to redefine and reshape its capabilities. He told the house that the Debt-to-GDP ratio of Pakistan has increased significantly over the years; the country is also missing exports target every year. At national level, there remains the need of an industrialization policy that would

Panel Discussion - (Day 2)

Regional Economic Integration and Governance

cater the demand in emerging markets and would focus on value added products. Pakistan has 6th largest population in the world, he said the country must rethink reshape and prepare for the challenging future.

Prof. Riaz Ahmed Shaikh giving his valuable insights on the theme said that for Pakistan it is impossible to achieve economic connectivity without having attained the due level of political and cultural connectivity. He said that if we go through the history we would know that BRI is not one of its kind. There were many routes that connected regions and created intra connectivity such as GT road and many other in ancient times that connected Central Asia and South Asia. He said that Pakistan must diversify its risk through exploring other connectivity routes and projects. He also emphasized upon unleashing the trade potential in the South Asian region first and then in Central Asian region. Dr. Shaikh also said that Pakistan lacks the long-term vision and planning unlike China who is clear that it will combat terrorism and extremism. For Pakistan to pave its way forwards towards connectivity, it is important to work on principal of flexibility and principal of discipline and then integrate both.

Lt. Gen (R) Moinuddin Haider addressing the challenges faced by Pakistan through its neighboring countries said that the modern era is of 5th generation war. WEST specially USA and India are not in favor of CPEC. They are being active in interrupting the smooth creation of BRI and CPEC because of the fear of China taking over the economic war in the years to come. He said that the development of Gawadar, the central point of CPEC has slowed down due to political reasons. With the increased interest of China through CPEC there is the fear of ownership of assets & people of Pakistan are not welcoming CPEC. He said that from South Asia regional peace is missing; Pakistan has no close ties with Iran, Afghanistan and India. Linkage and harmony can be created through peace and dialogue. The FTA agreement between China and Pakistan is imbalanced; the recent government's negotiation has increased exports of Pakistan to China which has doubled. Pakistan has failed to create balance in its foreign policy; the international policies are either tilted towards America or China. With the new government, terrorism has been controlled. Tourism has improved and international airlines are welcomed. Dams needs to be built for increasing the per acre yield. The direction is right for Pakistan but there remains the common will to move forward.

Dr. Saffdar Sohail clearing the misconceptions related to CPEC said that all the foundation documents, MOUs, long-term plans of CPEC are available but some of the bilateral arrangements are confidential. CPEC (Gawadar, energy, connectivity and industry) is 1 plus 4 that would create further linkages and would grow the linked sectors. He said that the concessions given to China are exactly same that were given to Singapore for Gawadar. The World Bank report says that more than 400 ports across the globe are given in concession mode and so is Gawadar. The roads and infrastructure in Gawadar still remains to be built to connect it to the upper part of the country. At present it is 30 percent more expensive to import cargo from Gawadar than Karachi, the government must initially provide some subsidy from importing it through Gawadar for smooth functioning. He said that integrating with India is good but replacing India with China could never be an option on technical grounds. For expansion of domestic commerce, it is important to focus on free mobility of capital and labour with India. Openness with India would disseminate the local industries of Pakistan due to cheaper and in-scale labour cost. Pakistan has complementarity with China then India, therefore CPEC would help to embrace the industrial competitiveness. For Pakistan mutual interdependency is desirable but total dependency is not encouraged.

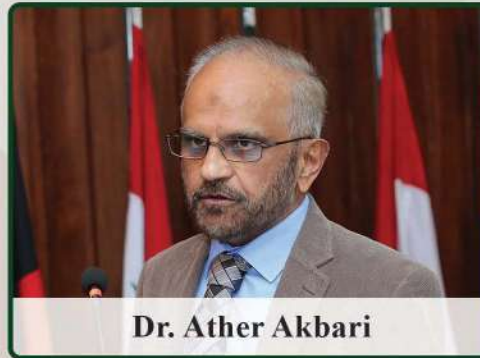


Day 03

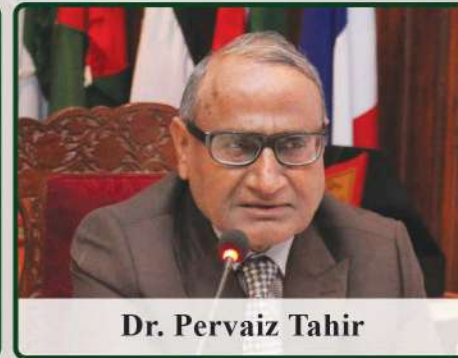
Shah Abdul Latif Bhittai Lecture



Dr. Karamat Ali



Dr. Ather Akbari



Dr. Pervaiz Tahir



Prof. Dr. Hiro Takahashi

The Shah Abdul Latif Bhittai Lecture was chaired by Dr. Pervaiz Tahir, Chairman The Bank of Punjab, Lahore while the Lecturer of the Session was Dr. Nadeem Ul Haque, Former Deputy Chairman Planning Commission of Pakistan and keynote speakers of the session included Dr. Karamat Ali, Executive Director, Pakistan Institute of Labour Education & Research, (PILER), Prof. Dr. Hiro Takahashi, DTS Tokyo lab, Minato-ku Tokyo Japan, Research AI, Block Chain optimization for Japanese Research Center, Government of Pakistan and Dr. Ather Akbari, Professor of Economics at Saint Mary's University in Halifax, Canada.

Dr. Nadeem Ul Haque could not join the forum due to some official task however he sent his presentation to be presented by Dr. Karamat Ali. Dr. Nadeem Ul Haque through his presentation made the point that the fundamental proposition in economics is openness and trade with everyone. Free trade is the best option for learning, competition, increasing efficiency, innovation and creative society but one must always equip itself to face the future challenges. However Pakistan never prepared itself to meet the challenges we faced; we think asking for aid and funds without addressing our core issues and domestic inefficiencies is the only way forward. Pakistan basically begs to maintain its inefficient colonial state. He also mentioned that Pakistan looks for aid and funds to build inefficient and wasteful projects that reveals less than desired future returns if any. When Pakistan negotiated with UN on FTA because of the inefficiencies, Pakistan ended up offering everything and virtually getting negative rate of return on the agreement. Although poverty reduction, technology transfer was seldom achieved through debt, aid or funds transfer. Dr. Haque also stated that Pakistan neither has the capacity to think, plan or negotiate while the new wisdom in economics calls for any unit/body or institute to think for its own good and be able to create and innovate. For Pakistan to pave its way towards development competitiveness, ability to think and create and to solve problems is desirable. It is extreme folly to think that development can be imported; this may be a convenient assumption on the part of our weak institutions but the fact is that our servitude has made us permanent member of IMF emergency ward. Pakistan's hunger for foreign assistance has destroyed the local institutions and system and has resulted in the decline of productivity and increase in negative current account balance. The current economic policy however is targeting to become one of the Asian tigers by 2050 which could only be materialized by economic reforms and building 21st century government which is capable of nurturing modern cities with efficient markets while developing trust and social capital. The government must target and specialize in all the areas and must be supported by the collective intellectual society where all the actors are involved in thought provoking and research process. If this happens and Pakistan keeps its economy open for free barriers

Day 03

Shah Abdul Latif Bhittai Lecture

trade the country would prosper and all the regional and international actors would seek to trade with Pakistan. Hence, Pakistan's trading route will automatically develop and Pakistan would no longer have to depend on foreign aid and trade alliances.

Dr. Karamat Ali speaking on the regional connectivity said that it is crucial to connect with all the countries within the region. There should be the free mobility of labour, goods and capital and people must be connected to aim economic integration. He said that in South Asia almost all the countries are multinational societies and multiethnic which is the root cause of the differences and conflicts. None of the country in the continent has settled borders; because of decolonization the borders were designed by colonial powers which are even today known as lines rather than borders such as Durand Line between Pakistan and Afghanistan. Pakistan is lacking serious homework on settling down the borders. Once they are acclaimed and settled, Pakistan then must think about opening them for economic activities. Pakistan can also address the issues and problems of ethnicity and minorities after that. Today the elite class of the country is concerned about the suppression of rights of minorities of other countries and is blind to see the suppression of rights of the majority of the population in their own country. Central Asia and South Asia are spending 75 billion USD on carrying out conventional laws, if these countries cut their spending by 50 percent none of the country has to go for begging for development aid to international agencies. The share of defence expenditures increase in South Asian region specifically every year after witnessing the expansion in the military expenses of the other countries in pursuit of sovereignty. Pakistan also have to make arrangements for securing its assets and resources such as oil and gas pipelines which are under construction and can help Pakistan to export energy to China and India. Pakistan must also end the internal conflicts to build common mechanism for all the neighboring countries and also sign no war pact between trading partners for long-term regional connectivity and connectivity.

Dr. Ather H. Akbari speaking on emigration and international trade in developing countries said that World Economic Forum has adopted four-point pathway for promoting trade, attracting private investment and achieving export diversification through; cutting bureaucratic red tape, creation of a conducive regulatory and legal environment, enabling environment for improved service trade and expanding e-commerce to help reduce transaction costs of trade. He said that people migrate for economic and noneconomic reasons where economic reasons include calculation of benefits and cost and noneconomic reasons include humanitarian reasons and family reunification. While the Potential effects of emigration on trade with source country includes transaction cost effect, preference for ethnic goods and mitigation of asymmetric information. He said that Pakistani emigrants in OECD countries accounted for a quarter of annual export growth in Pakistani net exports to English-speaking OECD countries. Trade deficit with non-English speaking countries would have been 46 percent higher if there were no increase in expatriate population as their natural growth of population slows down, developed countries will rely

Day 03

Shah Abdul Latif Bhittai Lecture

increasingly on immigration for their labour force and economic growth. Trade policy in developing countries such as by Pakistan should view their expatriate population as another source of promoting trade; proper institutional support should be available for expatriates wanting to establish trade relations with their source countries.

Prof. Dr. Hiro Takahashi speaking on the economic impact by artificial intelligence and block chain in Pakistan said that artificial intelligence is intelligence demonstrated by machines, in contrast to the natural intelligence displayed by humans and other animals. There are serious environmental problems that Pakistan is facing, and they are getting worse as the country's economy expands and the population grows. Little is being done to tackle these issues, because the goals of economic growth and tackling terrorism within the country supersede the goals of environmental preservation. The majority of Pakistan's industrial sectors, for example fishing and agriculture, which count for more than 1/4 of the output and 2/5 of employment in Pakistan, are highly dependent on the country's natural resources. Hence in order to sustain economic growth there is a high demand on already poor natural resources. However it is ironic that what the country depends on for its growth is also what threatens the future welfare and success of the country. According to the World Bank, 70% of Pakistan's population live in rural areas and are already stricken by high poverty levels. These people depend on natural resources to provide income and tend to overuse these resources. This leads to further degradation of the environment and subsequently increases poverty." He said that Advancements in Artificial Intelligence have contributed to the growth of the automotive industry through the creation and evolution of self-driving vehicles. As of 2016, there are over 30 companies utilizing AI into the creation of driverless cars. A few companies involved with AI include Tesla, Google, and Apple. These vehicles incorporate systems such as braking, lane changing, collision prevention, navigation and mapping. Together, these systems, as well as high performance computers, are integrated into one complex vehicle. The UK government has passed legislation to begin testing of self-driving truck platoons in 2018. Self-driving truck platoons are a fleet of self-driving trucks following the lead of one non-self-driving truck, so the truck platoons aren't entirely autonomous yet. Meanwhile, the Daimler, a German automobile corporation, is testing the Freightliner Inspiration which is a semi-autonomous truck that will only be used on the highway.

Dr. Takahashi said that financial institutions have long used artificial neural network systems to detect charges or claims outside of the norm, flagging these for human investigation. The use of AI in banking can be traced back to 1987 when Security Pacific National Bank in US set-up a Fraud Prevention Task force to counter the unauthorized use of debit cards. Programs like Kasisto and Money stream are using AI in financial services. Banks use artificial intelligence systems today to organize operations, maintain book-keeping, invest in stocks, and manage properties. In August 2001, robots beat humans in a simulated financial trading competition. AI has also reduced fraud and financial crimes by monitoring behavioral patterns of users for any abnormal changes or anomalies.

Day 03

Shah Abdul Latif Bhattai Lecture

Dr. Takahashi speaking about the future of block chain in Pakistan said that blockchain is a decentralized, distributed and public digital ledger that is used to record transactions across many computers so that any involved record cannot be altered retroactively, without the alteration of all subsequent blocks. This allows the participants to verify and audit transactions independently and relatively inexpensively. A blockchain database is managed autonomously using a peer-to-peer network and a distributed time stamping server. They are authenticated by mass collaboration powered by collective self-interests. California-based Stellar startup has now received certification from Islamic scholars for its blockchain platform and related cryptocurrency, giving a glint of hope to other players in the nascent industry. The Shariyah Review Bureau (SRB), an Islamic advisory firm licensed by Bahrain's central bank, provided the certification for Stellar, alongside guidelines for the types of assets that can be traded in its platform. He said that Pakistan must in order to improve its working capacities and evolve its financial industry, government sector, real estate registration, medical & healthcare, media & advertisement, manufacturing sector and food traceability adopt the new and advanced methods of trading and smart use of AI and blockchain.

Dr. Pervaiz Tahir concluding the session said that one cannot ignore regional connectivity, the Government of Pakistan has formed many organizations with the aim to increase the volume of exports but over the years it didn't grow substantially as compared to the increase in imports. He said that there is no substitute of competitiveness; Pakistan must adopt the new and advanced technological changes such as use of AI to improve the overall efficiency and productivity of the individuals and of economy as whole.



Session I - (Day 3)

Parallel Technical Sessions



Prof. Dr. Samina Khalil



Dr. Raza Ali Khan



Prof. Dr. Usman Mustafa

On the last day of the conference the Parallel Technical Sessions were held on the subjects, Sustainable Development and Regional Economic Integration, Socioeconomic Development, Urbanization, Institutions and Economic Integration and Macroeconomic Issues and Economic Growth under the main theme of Central Asian Regional Economic Integration & CPEC: Challenges, Prospects and the Way Forward (CARRIC-PCWF) 2018.

The first Parallel Technical Session on the theme Sustainable Development and Regional Economic Integration was chaired by Prof. Dr. Samina Khalil, Director, AERC while the discussants of the session were Dr. Heman Das Lohano, Associate Professor IBA, Karachi and Dr. Mehak Ejaz, Assistant Professor SZABIST, Karachi. The participants of the session were Dr. Humayun Rashid from PIDE presented his study on Capturing the Climatic Effects of El Nino and La Nina on the Economy of Pakistan, Mr. Waqas Hanif from SZABIST Karachi who presented his paper on the Influence of Green Supply Chain (GSC) Practices on the Performance of Supply Chain, Ms. Saima Nasreen from Government College Women University Faisalabad presented her study on the Long Run Causal Relationship Between Economic Growth, Transport Energy Consumption And Environmental Quality and Dr. Karim Khan from PIDE presented his study on the Special Economic Zones (SEZs) and Prospects for the Domestic Economy of Pakistan.

The second Parallel Technical Session on the theme Socioeconomic Development, Urbanization, Institutions and Economic Integration was chaired by Dr. Raza Ali Khan, Chairman, Department of Economics and Management Sciences, NED University of Engineering and Technology while the discussants for the session were Dr. Nooreen Mujahid, Associate Professor Department of Economics UOK and Dr. Adiq. K. Kiani, Federal Urdu University Islamabad. The participants of the session included Mr. Adnan Khan from PIDE Islamabad who presented his research on Sustainable Urban



Dr. Heman Das Lohano



Dr. Zeeshan Atiq



Dr. Nooreen Mujahid

Session I - (Day 3)

Parallel Technical Sessions

Development And Special Economic Zones-Considerations For China Pakistan Economic Corridor, Ms. Rabia Kanwal from AERC Karachi who presented her study on Does Urbanization Matter in the Process of Income Convergence? Evidence from South Asian Economies, Dr. Muhammad Akram from International Institute of Islamic Economics who presented his study on Fiscal Decentralization and Social Service Delivery: An empirical Analysis of Balochistan and Ms. Hira Mujahid from AERC Karachi who presented her study on Asian Economies Sectors Performance, Economic Volatility And Quality of Institutions.

The third Parallel Technical Session on the theme Macroeconomic Issues and Economic Growth was chaired by Dr. Muhammad Ali Choudhary , Director Research, State Bank of Pakistan while the discussants were Dr. Zulfiqar Hyder, State Bank of Pakistan and Dr. Zeeshan Atique, Assistant Professor Department of Economics UOK. The participants of the session were Dr. Safia Minhaj from Department of Economics University of Karachi who presented her study on Monetary Exchange Rate Model-South Asian Experience: A Markov Switching Approach, Ms. Sidra Shafaqat from Quaid-i-Azam University Islamabad who presented her research on E-government: A Stimulus for Foreign Direct Investment, Mr. Abid Rehman from School of Social Sciences and Humanities, NUST Islamabad who presented his study on Fiscal Policy Impact in Good and Bad Time of Real Business Cycle A Case study of Pakistan and Mr. Tehseen Iqbal from School of Economics, University of Kent/AERC Karachi who presented his research on Macroeconomic effects of Fiscal Policy Shocks in the Presence of Informal Sector.



Dr. Mehak Ejaz



Dr. Adiq K. Kiani



Dr. Zulfiqar Hyder

Panel Discussion - (Day 3)

Central Asian Regional Economic Integration and CPEC

The Panel Discussion Session of the last day of the conference was on the theme Central Asian Regional Economic Integration and CPEC. The session was chaired by Dr. Zeeshan Ahmed, Dean & Rector (Acting) Karachi School of Business & Leadership (KSBL) while panelist of the session were Dr. Saffdar Sohail, DG National Institute of Management, Islamabad, Prof. Dr. Shahida Wizarat, Dean CESD & Head of Economics Department IOBM, Karachi, Mr. Ishtiaq Baig, Former Vice-President- FPCCI, Prof. Dr. Nadia Tahir, Ex-Director Research

Panel Discussion - (Day 3)

Central Asian Regional Economic Integration and CPEC



Prof. Dr. Shahida Wizarat



Dr. Zeeshan Ahmed



Dr. Saffdar Sohail



Prof. Dr. Nadia Tahir



Dr. Karamat Ali



Mr. Ishtiaq Baig

and Development, Lahore Chamber of Commerce and Industries, Dr. Karamat Ali, Executive Director, Pakistan Institute of Labour Education & Research, (PILER), Karachi and Dr. Syed Hasanat Shah, Associate Professor & Foreign Expert, Jilin University, China.

Dr. Saffdar Sohail speaking on CAREC AND CPEC: Struggle For Better Policy Mix to Integrate with China for Pakistan said that ‘Trade Policy’ in the lexicon of CAREC: Based on WTO practice as manifested through Accession Process, WTO Agreements and assessed through Trade Policy Review process for which the priority action areas include addressing cross cutting issues like WTO Accession; Trade facilitation; connectivity; SPS; NTBS and following a defined mechanism such as Trade Policy Coordination Committee; Action Matrix and capacity building. He said that CAREC is facing many issues if we look at it excluding China such as declining export to GDP ratios, increasing trade deficit with China, low level of product sophistication and overall economic decline/stagnation. RBI seeks to promote policy coordination, facilities, connectivity, unimpeded trade, financial integration, increased economic performance and productivity and people-to-people bonds. Whereas the limits of current RBI approach accounts for lack of inclusivity; lack of supporting regulations; poor financial management and procurement practices. The ideal Response by BRI Countries keeping in view the challenges is strong governance and strategic planning of the RBI/CPEC strategy; CAREC can however learn from CPEC and ADB can help in creating the necessary knowledge bridges for the bloc. The Trade Policy of Pakistan has always been open; Active WTO regime & Ambitious FTA with China; Shallow FTA with SAARC; GSP Plus with EU, GSP with US have been the part of our policy. The outcome of the policy choices from 1995 to 2018 of Pakistan resulted in SAARC-CHINA-EU+US i.e. more trade with China; declining trade with SAARC; stagnant trade with EU and US.

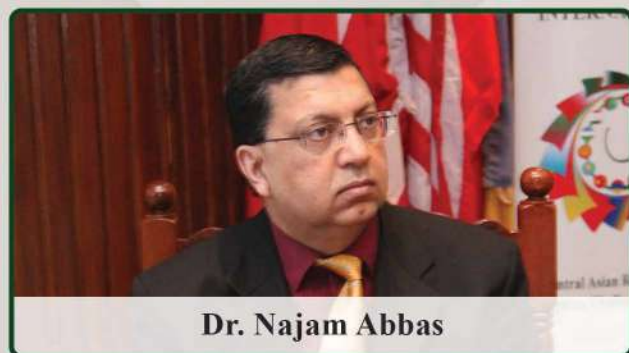
Panel Discussion - (Day 3)

Central Asian Regional Economic Integration and CPEC

country little prospects of more trade with SAARC due to structural problems remains and with EU and US region modest prospects remains due to poor competitiveness.

Dr. Sohail said that traditional trade theory is based on the concept of Comparative Advantage. This means that countries produce what they are most efficient in, and the subsequent trade is then based on strengths of each country vis a vis goods manufactured. Other goods are implied to not be manufactured. This is, however, an overly simplistic model and thus serves at best as a benchmark for theory only. New trade theory, however, focuses on industrial competitiveness rather than country competitiveness. Therefore, it covers a much larger scale and differences in efficiency, and (as a result) on a wider product range. However, this is still not an accurate representation on trade dynamics in the world. It did, however, explain more of trade phenomena for its time. OBOR is bringing back State in a big way, enabling the States in developing countries to recast their role and to get the financial support, if they, were interested, to play an important role in overcoming critical infrastructure bottlenecks and create efficiencies. Another important characteristics of this theory is that it gives an important place to 'regionality' of connectivity networks and trade and investment flows thus bypassing the traditional Strategic Trade Policy as practiced by Japan, Korea, China. In other words, we see the emergence of 'strategic regional trade, investment and logistics policy', which is in between the models like ASEAN and TPP. The CAREC members have competing visions of 'region' vying for their attention in the form of TPP, RCEP, ASEAN, Road and Belt Initiative, GMS etc. We contend that the presence or otherwise of a robust Industrial Policy would make the real difference in the individual country benefit sharing from these 'regional drives'. CAREC Institute can help CAREC member's better position in this journey.

Prof. Dr. Shahida Wazarat focused her discussion on the agriculture reforms and the untapped potential that can be unleashed through regional integration and connectivity. She said that integration towards West is the best option Pakistan could possibly go for when India is not willing to resolve the baseline issues and look ahead for integration. The agriculture sector of the country has great potential to meet the food demands of the Central Asian and European region. Russia and many states of Central Asia have banned genetically modified food because of its adverse effects on health. These states have switched their concentration on the consumption of organic food rather than modified food over a span. She said that Pakistan on the other hand has given license to play with the health of the masses through GMOs through amendment in law. Pakistan would eventually lose its market share to EU because 19 of the 26 member states have banned GMO food and Pakistan might have to face sanctions by violating the international standards. Through deeper integration and trade Pakistan must welcome business and technology in the country and must improve efficiencies and keep room open for educational exchange programs and industrialization.



Dr. Najam Abbas



Panel Discussion - (Day 3)

Central Asian Regional Economic Integration and CPEC

Dr. Karamat Ali said that CPEC would be beneficial for all connected countries but specially for Pakistan. Pakistan needs to make internal reforms; agriculture land is in dire need of time for increasing per yield productivity and exporting agriculture. He said that rural sector employment needs to be increased and exploitation of labour must be stopped. Dr. Ali also said that Pakistan needs land reforms to change the economic and social status of the rural class by providing them basic awareness and right to education, health and assets. State land, at least 5 to 7 acres of land, could be given to landless haris for self cultivation and grow to save them from the vicious circle of poverty. The sense of ownership plays key role in increasing the per acre yield as experienced by Indian Punjab, Pakistan must also adopt the policy of redistribution of land through serious reforms.

Mr. Ishtiaq Baig sharing his insights on the expansion of business and investment through CPEC and other regional connectivity ventures said that USD 46 billion investment is done by China in CPEC which is not in the form of loan or grant but is the investment made through projects. He said that these projects are viable and would be able to generate subsequent returns that would pay back the Chinese investors. China's middle class is expanding over the years; USD 450 is the average income of China because of which its cost of doing business is going up. China is therefore looking for the value added products and is in terms of investment with Africa, Morocco and Vietnam. The world increasingly needs technical labour; Pakistan unfortunately is not producing the labour to cater future needs through industrialization under CPEC. Pakistan was losing 2 percent of GDP in the last decade because of poor law and order conditions and because of the energy crisis. The industrialists shifted their capital to Bangladesh with relatively better economic conditions and peace. It is important to understand here that China is not doing any favor to Pakistan; CPEC is a win win game for both the countries. China is Pakistan's largest trading partner with imports of USD 16 billion and export of USD 1.5 billion only. He said that the FTA between China and Pakistan was signed without taking into consideration the business community of the country. Because of the FTA the local industries such as of Ceramics and Tiles is badly demolished. The initiative of trade in local currency is welcoming, however it would save huge cost. The regional blocs worldwide are working towards increasing the volume of intra trader while SAARC has failed to increase regional trade because India doesn't want to play the role in expansion of regional markets. India also wants to curtail the growth and development of Gawadar and has already started working on CharBahar while UAE is also not pleased with CPEC because its successful completion would harm the economy. Egypt is availing highest revenues through Swiss port, Pakistan can likewise gain maximum foreign exchange reserves once CPEC is operational. It is therefore for the future of the country that all the projects initiated are completed timely.

Prof. Dr. Nadia Tahir talked about the importance of smooth banking sector and modern infrastructure for rapid connectivity and economic integration. She said that the World Bank report says that the trade between CAREC member countries is substantially low while between the SAARC countries it is said that the glass is half full. The modern trade paradigm revolves around global value chains, value addition products and state of affairs with industry. Pakistan unfortunately has not graduated from the primary stage of staple food and dependency on agriculture sector while there is low composition of electronic and modern day needs products. The industrialization in the country is even either in textile sector or in agriculture sector while the Central Asian economies are importing machinery and transport equipments from other parts of the world and is exporting lubricants, oil, gas, metal and cotton. There remains huge potential and room for Pakistan to capture the growing plastic and tier market worldwide through value added products.

Dr. Najam Abbas speaking about integration prospects in Central Asia said that at a time when changing dynamics continue to influence the position of the Central Asian states in post-Soviet arena, it remains important to discern the main drivers that may reframe and

Panel Discussion - (Day 3)

Central Asian Regional Economic Integration and CPEC

reshape regional relations in future. He said that there is the need to refer to the endogenous factors which during the past 25 years continued to cause policy differences, institutional weaknesses, infrastructure barriers and capacity limitations among Eurasian partners and to the absence of any mechanism to effectively resolve differences in priorities and plans for meaningful and tangible partnership a lack of which retards potential progress. Insufficient mutual trust among the key players pushes them to begin their discussions from divergent viewpoints. Lingering legacies of the mindset of the past obstructs the possibilities of progress. The key players start with opposite standpoints, ensuing from a position of deficient trust. Hence, much effort, energy and time is wasted on difficulties and disruptive factors. As a result, diverse ambitions and ongoing differences of opinion between potential partners cancel out the possible collective gains that could arise with timely action. Long delays due to continuing policy differences may cause foreign investors' interest to wane or shifted away.

Dr. Abbas said that slow progress has been caused by passivity and misgivings owing to what is conceived as a potential compromise over sovereignty by some Eurasian leaders. Stakeholders are yet to agree on sustainable solutions. The absence of any mechanism to resolve differences over priorities retards potential progress. The political will to move forward is not mobilized adequately enough for effective decisions. While in recent years the prospects of energy surplus Central Asian states finding feasible extraction and profitable transportation of oil to energy deficit markets remain hampered on grounds of unrest, insecurity, poor infrastructure and insufficient funding. There lies huge potential for European and Central Asian trade integration which could be achieved through efficient management of border regions so that development there helps uplifting of adjoining areas too creating a multiplier effect, transfer of knowledge and skill which allows young men and women as stakeholders to integrate into connectivity based commercial and economic activities to bring benefits at local level. And partnerships with academic and professional institutions to produce regular updates and advice on amount of revenue opening up could bring; and estimates of income foregone due to indecision and inaction on a weekly, monthly and yearly basis. Helping local transportation institutions to devise and track benchmarks for transit fee which could have been potentially earned and monetary estimation of opportunities lost per day because of delays/inefficiency. Help build capacity to develop and pursue diversification strategies to overcome presently evolving yet potentially compounding risks of resource curse in order to overcome vulnerability and ensure stability and growth.

Prof. Dr. Hasnat Shah speaking about the importance of intellectual hegemony said that for connectivity the leading hegemony is intellectual hegemony. He said that collective efficiencies would increase with regional trade; CPEC is a win win situation for both the countries as CPEC would make greater availability of basket and would improve the efficiencies. Dr. Shah believes that Pakistan does not have the problem of integration but rather is facing the problem of preparation. Pakistan has failed to integrate Quetta with Karachi and many other parts with the country to the other parts of the country. He said that when Pakistan is unable to create linkages with the people of same country, religion and geographical locations how Pakistan can ensure peaceful integration with the country who's religion, culture, language and living conditions are different as of Pakistan's. He also said that Pakistan is obsessed with being the part of regional bodies and has failed to achieve fruitful gains from any on the bloc. Pakistan needs to focus on its comparative advantages and should only engage itself in meaningful trade bodies, Pakistan under FTA between China and Pakistan failed to utilize even 5 percent of product line available while China managed to utilized 92 percent of it. Therefore Pakistan must prepare itself through domestic linkages and comparative advantages to survive in the multi-polar world.

Dr. Zeeshan Ahmed while concluding the session said that Pakistan and Central Asia shares same religion, culture and background there remains potential for integration on the West of Pakistan while looking into the challenges and opportunities available to the country.





Experts' Opinion about the Conference:



“ It is always a pleasure to visit my alma mater in Karachi. The conference organized by the AERC on a very important theme was really very impressive and I am glad that I was a part of this conference.

DR. WAQAR MASOOD

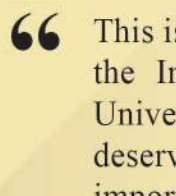
“ This conference was organized on a very relevant and important theme for the economy of the country. I would urge the AERC to establish a centre for studies on issues related to CPEC and you can start off by allocating a corner in your library where you can place all CPEC related material, books and documents to facilitate research scholars in their research.

DR. SAFDAR SOHAIL



“ I am pleasantly surprised that AERC has acquired such stature that it has organized a conference of this level.

DR. AKBAR ZAIDI



“ This is a great honour for me that I was invited to be one of the panelists of a panel discussion on CPEC at the International Conference 2018, organized by the Applied Economics Research Centre(AERC), University of Karachi. Prof.Dr.Samina Khalil, Director of the AERC , Dr. Uzma Irum and their team deserve felicitation in undertaking a timely event to create awareness among young people about the importance of CPEC and related issues.

MR. MIRZA ISHTIAQ BAIG



“ This is a very inspiring gathering of scholars and everyone seems to have command over the subject of discussion. I am pleasantly surprised to know that everyone can very easily and fluently communicate in English language. I am also very impressed by the hospitality of conference organizers.

DR. GUOLIANG WU

“ I am glad that I was invited to be part of a highly organized and informative conference. The conference organizers of other Universities in Pakistan should learn from your organizing committee. I am sure you will continue to keep up the high standard and quality of AERC conference in coming years.

DR. NISAR HUSSAIN HAMDANI



Where Are They At Present



DR. KHALID KHAN

**Chairperson & Associate Professor at Department of Economics,
Lasbela University of Agriculture, Water and Marine Sciences (LUAWMS)**

Dr. Khalid Khan earned his MS and M.Phil degrees in Applied Economics from Applied Economic Research Centre (AERC) University of Karachi, Karachi and received his Ph.D. in Economics from Huazhong University of Science and Technology (HUST), Wuhan, Hubei, China. He joined the Lasbela University of Agriculture, Water and Marine Sciences (LUAWMS) Uthal Balochistan in 2008. Currently, Dr. Khan is serving the Department of Economics, LUAMWS as an Associate Professor of Economics and Chairperson of the Department. At the same time, Dr. Khan is working as a co-principal investigator on the project entitled 'The Impact of China Pakistan Economic Corridor: Socio-Economic Prospects of Balochistan' sponsored by Government of Balochistan and principal investigator on other two research projects sponsored by the HEC, Islamabad and IPRCC, Beijing China. He has published several research articles in national and international research journals.

During his job, Dr. Khan received several academic accolades including Faculty Development Scholarship sponsored by High Education Commission (HEC), Government of Pakistan, Charles Wallace Trust Fellowship in London Metropolitan University, United Kingdom, Egyptian Government Fellowships at Egyptian International Center for Agriculture (EICA), Cairo, Egypt, Chinese Government Fellowship on Rural Development and Poverty Reduction for Developing Countries at the International Poverty Reduction Center in China (IPRCC), Beijing and several Travel Grants/Awards from international and national agencies. He has presented papers in national and international conferences in China, Swaziland, Thailand, and England. His areas of interest include Macroeconomics and Agricultural Economics with a special focus on Economic Growth.

Student Corner



Topic:

A CRITICAL EVALUATION OF LOCAL GOVERNANCE IN DELIVERING THE SOCIAL SERVICES, SINCE 1979

By: SHABBIR AHMED

18th Constitutional Amendment has assigned responsibility to provincial governments to establish their own local government (LG) institutions in order to devolve political, administrative and financial autonomy and responsibility at local level. The purpose of this research hence is to compare performance of LG, pre and post 18th constitutional comparison. The primary objective of this research is to do a comparative study of the three laws implemented till now namely; LG Ordinance 1979, Devolution Plan 2000 and Latest LGA 2013.

The research indicated that under the pre-devolution era, the local councils were only representative tier of governance. Provincial governments fully controlled the local councils through bureaucracies. Devolution plan, introduced lower tier by removing the direct role of bureaucracies. It has also given responsibilities to DCO under the elected Nazim and DC. Further comparing the three dimensions of decentralization i.e Administrative, Political and Financial, study revealed that; KPK has given more administrative autonomy to LG. Whereas in Punjab, the LG system was influenced by the creation of Punjab Saaf Pani Company (PSPC), District Education Authority (DEA) and District Health Authority (DHA), moreover, the PSPC are working under the provincial assembly's members. Further, the chairman of DEA and DHA are directly reported to provincial government. As far as politically autonomy of third tier of government are concerned, only in KPK, people directly elected Nazim and Naib Nazim at village and neighborhood councils. The selection of Nazim and Naib Nazim depends upon the votes that one has secured.

As far as financial autonomy is concerned, in KPK there is no role of government after approval of local council's budgets, but in remaining provinces there remains provincial influence on local council's budgets. The situation is worst in Baluchistan where the upper tier budgets approved its lower tier budget for instance DC approves UC's budgets, whereas all remaining tiers DCC approves local council's budgets. For fiscal transfer, provinces have established provincial finance commission (PFC) similar as in devolution plan. Previously, PFC committees included only one provincial assembly member whereas in current system it includes at least three members. Moreover, Punjab included nine members from provincial assembly.

Further, the thesis has also analyzed the impact of decentralization on Education and Health. And the performance of two different governance regimes; like devolution and post devolution periods, the impact assessment was done across provinces and time (2001-2014). The level of political decentralization was proxy by a dummy variable. Provincial per capita GDP was also used for the assessment of the impact of provincial development on education and health related outcomes. The OLS regression results revealed that decentralization has positive and significant impact on gross enrollment rate and Child's health in Pakistan. Further provincial development also has significant impact on education only. By comparing the results of the two eras, it can be concluded that after devolution plan the overall enrollment rate has improved. But at provincial level Sindh and Baluchistan witnessed a decline in the enrollment rate on average by 10percent to 27percent. Finally, for health related outcome, the provincial development has insignificant impact on Child Immunization rate.

Student Corner



Topic:

CROP DIVERSIFICATION AND ITS IMPACT ON FOOD SECURITY

By: UMME KULSOOM INAM

Agriculture, food security and economic growth mutually re-inforce each other in the development process. Pakistan has world's 6th largest population. Agriculture sector employs the majority of population in the country hence it should have achieved self-sufficiency in food production. In spite of all the efforts, its contribution in GDP is continuously falling and witnessing a dwindling pattern of growth in staple food production. Agriculture growth shows negative trend after every alternate year that has turned the nation into food deficient country. Global food security index 2015 ranks Pakistan 77th out of 109 countries showing need for improvement. Crop diversification is a flexible tool for a farmer to adopt that crop mix which is based on the principle of profit maximization. Through it a farmer reallocates his productive resources from a traditional crop mix into a new crop mix due to definite factors.

Food security is not just about enough wheat production in a country but about a poor household's consumption of a diet of minimal required calories and sufficient diversity in food group. Devastating burden of hunger or under-nutrition has lifelong negative consequences, which can permanently disable a child's potential to become a productive adult. Under-nutrition levels in Sindh are marginally higher than national averages. Sindh as a major player in agriculture produce of the country as well as constantly coming into spotlight because of stunted growth or hunger related deaths. Main objective of this study is to estimate the rate/speed of diversification. By constructing three different indices namely Simpson's diversity index, Bhatia diversity index and Singh diversity index for districts of Sindh the study cross checks the district wise crop diversification pattern and draw inferences to analyze the process of diversification, changes in crop mix across rural region of districts of Sindh, and highlights the needed policy interventions in order to gain sustainable higher returns per unit of land in the long run and ensuring the target of zero hunger by 2030 as approved for SDGs. the study is the first of its kind for Sindh province across district, measuring diversity across district of Sindh using three different indices.

The results reveals overall Sindh is a lower diversity region which is mostly inclined towards cash crop. Whereas, cropping pattern shows a minor shift in crop diversification pattern in most of the districts within the studied time period. Food security is influenced by socio-economic and demographic factors as well such as sanitation, piped water, electricity, rural population, females in household decision making process, market access, earners in a household, cropped area, climate, irrigation facility and the specific nature of farm diversity. There is a complex relationship between each dimension of food security and CD. SDI aggregate and cash inclined index value have positively significant influence on food production and food accessibility and Singh index validates the result. However, there is no positive and significant relation was found in crop diversification and food utilization.

Overall, improving agricultural diversity and sustainable agricultural practices can protect crop loss and increased yield hence, income is leading to alleviation of food insecurity. Using three dimensions of food security availability, accessibility and absorption the study concludes that although, it is thought that food security is equated with food self-sufficiency and proposed solutions focusing exclusively on agricultural production but in the context of Sindh food security is mainly dependent on food accessibility.

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